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ADAPTATION IN TRIADIC BUSINESS  
RELATIONSHIP SETTINGS

A STUDY IN CORPORATE TRAVEL MANAGEMENT

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Adaptation in triadic business relationship settings: A study in corporate travel management

Key words: Adaptation, triadic business relationship setting, business services, corporate travel.

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# 1 INTRODUCTION

This thesis is about adaptation in triadic relationship settings in the service context. It is a study of *how actors (firms) in triadic relationship settings adapt towards each other*. Theoretically, the research takes its stand in *relationship marketing*. The empirical context of the research is *corporate travel management*. It is a chain of activities where an *industrial enterprise*, and its preferred *travel agency and service supplier partners* combine their resources.

## 1.1. Adaptation in triadic relationship settings in business travel management

The aim of this section is to introduce the key concept of the thesis, i.e. adaptation, and the structural context of the thesis, which is the triadic relationship setting. I will also present the industry in which the study is embedded, the business travel industry, and more specifically corporate travel management.

### 1.1.1. Adaptation

To sell someone a standard item at a standard price, using standard sales procedures, delivering and invoicing according to standard terms and conditions, and then to claim that you have a relationship with them is either sophistry or self-deception. (Brennan and Turnbull, 1996: 30)

Adaptation is an important concept in many fields of science. It has a long history in *biology*, where adaptation concerns the way living organisms tackle environmental stress and pressure. Furthermore, *cultural ecologists* study the effects that human groups have on their environment, and the ways they adapt to it.

The concept of adaptation is closely related to exchange, and an exchange process can be regarded as an adaptation process (Newcomb, Turner and Converse, 1952). Exchange is a fundamental concept in *interpersonal relationships*, in *social psychology*, *sociology* and *anthropology* (e.g. Homans, 1958; Thibaut and Kelley, 1959). Exchanges in social relationships are considered as interaction processes, where the interaction is any observable behaviour between two individuals when there is a reason to believe that these individuals are responding to each other. When individuals continue to interact for a longer period, they will adapt to each other. This applies also to business relationships, where adaptations are elements in the social exchange process. (Hallén, Johansson and Seyed-Mohamed, 1991)

In the *business context*, adaptation is discussed in both organisation and marketing theory. In *organisation theory*, two aspects of adaptation are generally noticed: First, the organisation-environment interface, which is addressed as the contingency theory (Fiedler, 1964). Second, there is the behavioural theory, which concerns the history dependent features of adaptations, and their role in organisational change (Cyert and March, 1963).

In *marketing*, a central constituent in Alderson's (1965) functionalist theory of marketing is adaptation that balances organised behaviour systems and their

environments. *International marketing* focuses on adapting local marketing programmes to international standardisation (e.g. Hallén et al., 1991), and the impact of different cultures in international business relationships (e.g. Fang, 2001). The *strategic marketing management* is often regarded as a process of adaptation by an individual firm to changes in the broad marketing environment, to the competitors, and to the consumers' requirements (Chakravarthy, 1982; Aaker, 2001).

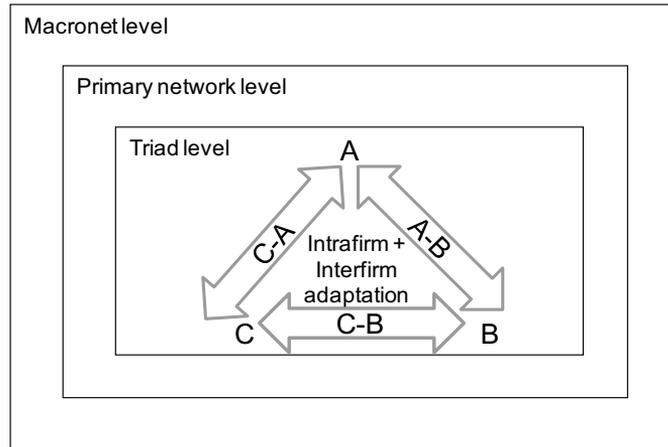
Besides responding to the dynamic business environment in which they operate, firms respond to changes in the core relationships by making adaptations (Canning and Hamner-Lloyd, 2002; Canning and Brennan, 2004). Thus, *adaptation can be assumed to be a significant feature in the dynamics of business relationships* (Hallén et al., 1991; Schurr, 2007).

Most business relationships are based on some kind of match between functions of at least two companies (Hallén et al., 1991). According to Håkansson and Snehota (1995a), adaptations occur when *firms adjust their actors, resources and activities* to those of the counterparts. Adaptations are generally *relationship specific* (Canning and Brennan, 2004), i.e. they cannot as such be transferred to other relationships. They may occur in the initial phases of a relationship to bring about "fit" between organisations. Adaptations will also continue for the duration of a relationship as understanding and expectations change (Ford, 1980; Dwyer, Schurr and Oh, 1987; Hallén et al., 1991; Canning and Brennan, 2004).

Adaptations may change the nature of relationships. They may become stronger or weaker, or closer or more distant. Adaptations may also change the structure of the focal network of which they are a part. The focal network is in this research limited to concern a triadic relationship setting. In a triadic relationship setting, an actor may be changed, or the relationship may end, and the triadic relationship setting may transform into becoming a dyad (Havila, 1996). Thus, adaptations change both the relationship itself and the focal network of other actors in which the relationship is embedded (Håkansson and Snehota, 1995b).

Figure 1 illustrates the different levels of adaptation in business markets. This research focuses on adaptation in a triadic relationship setting, i.e. on the innermost rectangle in Figure 1. A triadic business relationship setting consists of three dyadic relationships, i.e. relationships between actors A, B, and C. Adaptations occur in the dyadic relationships A-B, B-C, and A-C, which are interconnected, either directly, or indirectly. Adaptations between two actors entail two intertwined processes, i.e. *intrafirm adaptation* and *interfirm adaptation*. *Intrafirm adaptations* occur in individual organisations, and *interfirm adaptations* occur in the interactions between the organisations. Both processes are activated when firms adapt towards their counterparts (Brennan and Turnbull, 1999; Brennan and Canning, 2002).

The additional levels where adaptations occur are the primary network level, and the macronet level. *Primary network level* adaptation concerns industry specific adaptation. *Macronet level* adaptation entails general business level and market level adaptation, i.e. general strategies, a firm's market sensing, target marketing and positioning capabilities in macro-level segments. Even though it is important to separate these different levels, it is also important to notice their impact on one another. (Canning and Brennan, 2004)



**Figure 1** Levels of adaptation in business markets.

### 1.1.2. The triadic relationship setting

By the third, I mean the medium or connecting bond between the absolute first and last. The beginning is first, the end second, the middle third. The end is second, the means third. The thread of life is a third; the fate that snips it, its second. (Peirce, 1931, in Beucham, 1998)

Peirce (1893-1914), one of the fathers of semiotics, insisted that any relationship between two entities, for example, persons, ideas, or natural forces, could not be understood in simple dyadic terms. They always require a third element, the framework or structure of meanings, truths, laws, assumptions and expectations within which the relationship occurs (Beaucham, 1989).

A triadic relationship setting is a widely researched group formation in sociology. A triad can be seen as a group of three individuals that are *directly* connected to each other in order to, for example, carry out an assignment together (e.g. Simmel, in Wolff, 1950). In business research, triad is a relatively new concept. In the business network context, researchers generally consider a triad to consist of relationships between three actors, or firms, which are connected to each other *by a third actor*, either *directly* or *indirectly* (cf. Khurana, 2002; Madhavan, Gnyawali, Devi and Jinyu, 2004; Havila, Johanson and Thilenius, 2004).

In this research, I will use the concept of “*triadic relationship setting*”, which consists of three firm actors that may have *both direct and indirect connections*. Thus, *the triadic relationship setting consists of three independent actors (firms) that are connected to each other, either directly or indirectly, for the purpose of doing business*. The business they are doing together is arranging the industrial enterprise’s travel related businesses, and to managed the activities and processes they include.

Simmel (1858-1918) is known as a microsociologist that played an important role in small-group research development. His central tenet is that everything interacts in some way with everything else. He also distinguishes some main differences in interactions in

dyads, in triads, and in larger groups. For example, triads are characterized by (1) interaction *reciprocity*, (2) specific *role* of the third actor, (3) relationships *unstablensess*, and (4) *coalition* formations.

First, a dyad relies on direct *reciprocity*. A dyadic relationship differs from all other types of relationships because each of the two participants is met by only one another and not by a collectivity. In triadic relationship settings, members normally have a chance to interact directly with each other. Larger groups, conversely, have a greater diversity of relationships that can form in them (Caplow, 1956). Furthermore, when a group exceeds a relatively limited size, interaction must be mediated through formal arrangements (Cosser, 1977).

Second, in a triad, *the third actor may have different roles*. The third actor may keep the triad together by softening the conflicts between the other two. The third actor may also act as a *tertius gaudens* (the third who rejoices), seeking to turn to his own advantage a disagreement between the other two. Furthermore, through a strategy of *divide et impera* (divide and rule), he/she may intentionally create conflicts between the other two in order to attain a dominant position or other gains (Simmel, in Wolff, 1950).

Third, *triads are argued to be less stable* than dyads (Caplow, 1956). A dyad depends only on two participants, and the withdrawal of one would destroy the dyad. According to Simmel (1969: 60-61):

A dyad depends on each of its two elements alone - in its death though not in its life: for its life it needs both, but for its death, only one.

The triad may continue its existence, even if one of the actors leaves, and a new actor enters the relationship. Larger groups, in their turn, tend to be more stable because of the greater diversity of relationships that can form in them (*ibid.*).

Fourth, one common rule that has been widely observed, and makes the triad less stable than other relationship settings, is that in any group of three people, there is *the tendency among its actors to make coalitions*, and segregate into a dyad, and an isolated actor. Generally, the members of triadic relationship settings may differ in strength, and a stronger member can control a weaker member. Furthermore, the actors seek control over the others, and prefer to have it over two others, rather than over just one. The strength of a coalition is equal to the strength of its two members. (Simmel in Wolff, 1950: 135; Caplow, 1968: 3)

In the business context, the fact that more than two parties are involved in a relationship, either directly or indirectly, increases the complexity. It also increases the probability that changes will take place because of the unstablensess of the triads. (Havila, 1996) This, consequently, may increase the need for adaptation. Furthermore, the interaction patterns may have an impact on how adaptations occur.

In business research, *there are only a few studies with an explicitly triadic approach*. But even though a triad is the unit of analysis, the phenomenon is usually empirically studied from a dyadic perspective (e.g. Havila, 1996; Trimarchi, 2001; Havila et al., 2004). Furthermore, what is meant by a triadic approach remains often somewhat unclear. In the current thesis, *a triadic approach denotes investigating each of the three*

*dyadic relationships in a triadic relationship setting in the context of the other two dyads to which it is connected, and from both ends.*

Havila et al. (2004) raised the question of whether the dyadic approach to international business relationships should in some situations, be extended to a triadic one (see also Phillips, Liu and Costello, 1998). In many fields of business, a triad forms an essential setting for conducting business, and a third actor plays an important role as an intermediary between two actors. For instance, in relationships between a manufacturer and a distributor (e.g. Anderson and Narus, 1990; Rosenbröijer, 1998), a manufacturer and an industrial client (e.g. Håkansson and Snehota, 1995b), in a “service triangle”, where customers, service organisations, and individual service providers are identified as the components of the service delivery process (e.g. Gutek, Groth and Bennett, 2002), in third party logistics (e.g. Bask, 1999), and in the relationships between international corporations, and their clients (e.g. Havila, 1996).

According to Simmel (in Wolff, 1950: 141), the triadic relationship setting is a structure completely different from the dyad, but not explicitly distinguished from groups of four or more. Therefore, studying triadic relationship settings may increase our understanding of relationships that are interconnected and that form a network of relationships. Ritter (2000: 319) argues that in order to address the issue of interconnectedness between relationships, it is sufficient to analyse triads. This is because a network can be deconstructed into triads for analytic purposes, and network effects can be demonstrated by using only a triad. Triad as an analytical tool may help, for example, to understand the dynamics of power, loyalty and commitment in service relationships (Andersson Cederholm and Gyimóthym', 2005), elements that are important in adaptive behaviour. Madhavan et al. (2004) argue that a triadic approach is especially relevant in relationships where an intermediary is involved, and all the three actors have direct connection with each other.

Sociologists pay attention to the impacts of groups on *individuals*, and on how individuals act in a group of three persons. The current research concerns business organisations involved in triadic relationship settings, and the focus is on the organisations as collective actors. However, the individuals cannot be neglected because it is the individual employees that interact with each other, and implement adaptations.

### 1.1.3. The importance of adaptation in business travel management

As the second most controllable cost in a company after wages, accounting for 15 per cent of a company's revenues, the spotlight is firmly fixed on this complex area [business travel]. (Upton, 2005)

In the current study, the business travel industry represents the business-to-business (B2B) service sector. Travel and tourism, including transport, accommodation, catering, recreation and services for visitors, is one of the world's leading industries and employers. International travel for business purposes is an important component of international tourism, especially in economic terms. Business travel has expanded along with the growth in international trade and it represents an important economic sector in Europe. It has direct and indirect benefits in terms of employment, turnover and tax revenues. Furthermore, the business travel sector includes a great variety of activities,

for example transfer of knowledge and expertise, networking, and exchange of goods and services. In this way, the sector contributes directly and continually, for example, to the process of European integration. (Davidson, 1998)

Business travel can be divided into two segments: corporate business travel and unmanaged business travel. *Corporate business travel* represents one third of the total European travel market. (PhoCusWright, 2006: 13) It is a segment in the business travel market that can be described as,

travel undertaken by the employees of a particular organisation that has a substantial travel volume and where travel arrangements are generally managed and consolidated into a centralised function. (Douglas and Lubbe, 2006: 1131)

*Corporate travel management*<sup>1</sup>, can be defined as:

The corporate function of managing the business travel activities of an organisation's employees. (Douglas, 2008)

*Unmanaged business travel* refers to all expenses associated with business travel in firms that do not have a policy dictating the channel, type or travel, supplier, or fares used. It is included in leisure travel, which is the dominating segment in the market. (PhoCusWright, 2006: 13)

Business travel is an important part of several companies' business strategies. Travel purchase is generally estimated to be the second largest controllable expense after wages (Upton, 2005). As for business services in general, business travel implies assignments given to the service firms. Instead of having pre-produced solutions to clients' problems, these firms have customised processes as solutions to those problems. (cf. Silvestro, Fitzgerald, Johnston and Voss, 1992; Axelsson and Wynstra, 2002; Grönroos, 2006) These solutions are generally created in co-operation.

*From the corporate buyer's perspective, travel management is an important support function.* Industry reports emphasise effective travel management programmes that help to save travel costs. For example, it is argued that travel budgets could be 25 % higher without the efforts of a travel management department (Runzheimer International, 2000). Furthermore, a survey by American Express claims that US companies are losing \$500m a year through failing to manage their hotel programmes properly (Slaughter, 2009).

*For the business travel agency<sup>2</sup> and for most service suppliers,* business travel is the core business area. The suppliers are generally evaluated, and the services are contracted based on competitive bidding. Even though the services are contracted for a

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<sup>1</sup> Corporate travel management, business travel management, and travel management are used interchangeably.

<sup>2</sup> In this thesis, "business travel agency", and "travel agency" are used interchangeably. As later in the empirical analysis will be discussed, business travel agencies' role has changed, and they have started to call themselves *travel management companies* to emphasise this change. However, in the Finnish and Swedish languages, "business travel agency" is still used. This term will be used in this thesis. It is the term the informant used in the interviews. Furthermore, the term "travel management company" is easily mixed up with the travel management function of the buying organisation.

certain period, they require continuous interaction over time. (cf. Axelsson and Wynstra, 2000; Wynstra, Axelsson and van de Valk, 2006) Furthermore, these kinds of services should support the customer's individual employees to complete their primary tasks (Fritzsimmmons and Noh, 1998).

Corporate travel management and its *three core actors*, the buyer organisation, which is in the current study an international *industrial enterprise*, its *business travel agency*, and *service supplier partners* form the empirical setting of the research. The focus of their co-operation is the industrial enterprise's business travel management. Managing corporate business travel is originally the responsibility of the corporate travel management function. However, the function cannot be successful without the support of all other firms involved in the process. It relies on the interactive relationships between the core actors<sup>3</sup>. (Douglas and Lubbe, 2006)

*In the buyer organisation*, travel management consists of a large variety of items that involve significant administrative efforts. It is a cross-functional process that engages several internal departments and units, and exploits the partners' resources. The two main levels this study focuses on are the *managerial level*, where the contracts are negotiated, and the *operational level*, which implies the practical travel arrangements. In the buyer organisation, there is generally a travel manager who is responsible for travel management, and employees who make travel bookings. They may be assistants, or the travellers themselves. In business travel agencies, there are managers that negotiate with the travel manager, and clerks, or experts<sup>4</sup> that plan and book the travel. *In service supplier organisations*, the contracts are generally negotiated with sales managers or account managers. In supplier organisations, travel bookings are largely automated, and the operational level has been replaced with technology. The current research focuses on *adaptations between firms*, but the impact of different interaction levels cannot be excluded.

Business services typically need a higher degree of co-operation and more extensive interaction (Gummesson, 1991; Grönroos, 2000), and thus more adapting than goods. In business travel management, an important requirement for the supplier and the business travel agency is the ability to offer total solutions and geographical coverage, and to adapt them to the specific situation of the buyer organisation. For the buyer organisation, the critical ability is to interpret, translate and communicate the demands of internal users, and the ability to implement and leverage these services within the own organisation. (cf. Wynstra et al., 2006) Furthermore, business travel represents a service that is purchased by organisations, and used by individual employees. (cf. Gummesson, 1977; Ojasalo, 2007). In B2B services, corporate buyers often rely on an intermediary. The intermediary simplifies the network of service suppliers, and the assortment of services by representing multiple suppliers and multiple services. When no single producer could be expected to meet the full range of customer needs, then an intermediary service will be more desirable. (Sarkar, Buttles and Steinfield, 1995)

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<sup>3</sup> There are other actors participating in this process, for example, technology providers and payment card companies. However, they are excluded from this study.

<sup>4</sup> Along with the change in the role of the business travel agency, also the role of the frontline personnel has expanded from a booking agent into that of an expert in travel related issues, and they are called experts instead of clerks.

In corporate travel management, the great challenge is aligning potentially conflicting goals of the various actors taking part in the process. Generally, the management of the company wants to keep expenses low. The business travel agency wants to be guaranteed of a firm stream of business, and the supplier wants a high yield for its services. Thus, every adaptation may not be beneficial for all the involved actors. Ultimately, the actors in the corporate travel industry all strive to reach one common outcome: a successful corporate travel management programme that will satisfy all the actors taking part in the process. (Douglas and Lubbe, 2006)

The business travel industry and the triadic relationship setting of the current study offer an interesting scene to research adaptation. The industry is well known for its sensitivity to, for example, economic fluctuations, world politics and health epidemics. During the Gulf War in 1991 and the war in Iraq in 2003, companies reduced their business travel remarkably, forcing their counterparts to restructure their operations. (Bender and Stephenson, 1998; Davidson, 1998; Franke, 2004; Rubin and Joy, 2005) The events of 11 September raised the interest for alternative ways to take care of businesses. Video-conferencing and web-conferencing possibilities where participants can create and modify documents in real time are improving noticeably (Cohen, 2001a; Goodridge, 2001; Mc Dougall, 2002). During the current economic recession, alternatives to travel replace specifically internal meetings. A further motivation to cut down unnecessary business travel is the social and environmental responsibility, which is gaining growing attention in the corporate travel sector. Another challenge to the travel industry, and specifically to the airlines' profitability, is the fluctuating fuel price. (Advito, 2008a; Advito, 2008b; Caamano, 2008; Resegeometri, 2008)

Adaptations are required from all the parties involved, specifically from the business travel agencies. Their role has changed. They provide, among other services, alternatives to travel, i.e. they offer services that make it possible to do business without travelling. In corporate buyer organisations, travel management, as the name shows, is traditionally about managing *travel*. Recently, the focus in travel management has changed. Instead of managing travel, the focus is on the *interactions* between people that are physically located in different places (Lundberg, presentation 25.9.2008).

## **1.2. Research gaps and a new way to approach adaptation**

Prior studies on adaptation have mainly been conducted in the manufacturing industry. In these studies, adaptation is regarded as a dyadic phenomenon. There are two major gaps this research aims to fill. First, the current dyadic perspective to adaptation in business relationships is insufficient. Therefore, this research widens the perspective to employ three actors. Second, research on adaptation in service relationships is lacking. For this reason, this research is conducted in a service industry, the business travel industry. In addition, this research gives a comprehensive picture of adaptation by creating a framework of adaptation in triadic relationship settings.

### ***Widening the research perspective from dyadic to triadic***

Prior research on adaptation proves that most business relationships are based on a process of matching between the operations of *two* companies (e.g. Canning and

Hanmer-Lloyd, 2001b; Canning and Hanmer-Lloyd, 2002; Brennan, Turnbull and Wilson, 2003; Canning and Brennan, 2004; Schmidt, Tyler and Brennan, 2007). Thus, adaptation is investigated as *interfirm adaptation*, i.e. adaptation is regarded as a *dyadic phenomenon*. However, the dyadic perspective to adaptation is not sufficient when the relationship involves more than two actors. When a dyadic perspective is applied, important aspects of the relationships are neglected.

*First*, the dyadic perspective ignores the network effects of adaptation. Adaptation research does not take into account that adaptive behaviour can also be regarded as a response to different parties in the network, and that adaptation can involve several parties. Relationships are interconnected, and a given relationship does not only affect itself and the two actors involved, but it may also have an effect on other relationships (Walter and Ritter, 2003).

*Second*, the different interaction patterns in triadic relationship settings differ if compared with dyads or larger groups. In dyads, the actors have the possibility to interact directly with each other, and adaptations may be agreed between the two of them. The fact that three actors interact complicates adapting. *Third*, there is a tendency for coalition formation in triadic relationship settings (Caplow, 1956; Coser, 1977), which affects the adaptive behaviour. Two powerful actors may coerce adaptations against the third.

### ***Focus on service relationships***

There is a great deal still to be learned about adaptations in ‘pure’ service industries. The classification scheme appropriate to a manufacturing industry is likely to need amendment for a service industry. Whether this will be relatively cosmetic (‘service’ and ‘service delivery process’ for ‘product’ and ‘production process’) or more substantial is a matter for future research. (Brennan et al., 2003: 1660)

Adaptation in the context of services is important, because the services and service processes are developed in co-operation between the buyers and service suppliers (e.g. Grönroos, 2000: 46). However, previous research focusing on adaptation is mainly conducted in the manufacturing sector and research on adaptation in the context of “pure” service industries is scarce (Brennan et. al., 2003)<sup>5</sup>. Business travel management is characterised by triadic relationship settings that require adaptation because of the ever-changing business environment. It is an important function for the buyer organisations, as discussed in section 1.1.3. Furthermore, business clients are an important client segment for many service suppliers, and the core business for business travel agencies.

### ***A new way to approach adaptation***

Previous research does not offer an all-inclusive picture of adaptation. Researchers have found, for example, that adaptive behaviour varies between relationship stages (e.g. Hallén et al., 1991). Research on relationship development (cf. Håkansson, 1982;

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<sup>5</sup> Exceptions are the studies by Halinen (1994), which discuss adaptation to some extent, and Schmidt et al. (2007), which is primarily service based. However, the latter study does not separate features of adaptations in services from those of goods.

Johansson and Mattsson, 1987; Hallén et al., 1991) noticed that the adaptation process is closely intertwined with the exchange process and coordination process. Attention has also been paid to the decision-making levels in the adaptation process (cf. Brennan and Turnbull, 1999; Canning and Hanmer-Lloyd, 2001b; 2002; Brennan and Canning, 2002). From a managerial point of view, the process of adaptation has been modeled by Brennan and Canning (2003), and by Canning and Hanmer-Lloyd (2001b; 2002), who focus on environmental adaptation.<sup>6</sup>

New ways to approach adaptation are needed. It is important to create *a comprehensive framework of adaptations* by investigating adaptations in the connection of everyday interaction processes. Attention should also be paid to how adaptations are initiated, how the process advances and spreads to incorporate the entire triadic relationship setting, and what are the outcomes of adaptations.

In most adaptation studies, the data presented cannot be linked to *specific adaptation* between the parties. The study of Brennan and Turnbull (1999) links particular adaptations, but it draws on the experience of only one party in detailing these. The studies of Brennan and Canning (2002) and Canning and Hanmer-Lloyd (2002), however, take a dyadic approach and examine the shared experience of both the supplier and customer companies in relation to specific adaptations.

Previous research also sees the importance of gathering data from the actual counterparts of the relationships, i.e. actors that are connected to each other at the time when the research is carried out. Specific adaptation by one firm towards another in the context of long term buyer-seller relationships is an everyday practicality, and clearly of importance to the understanding of business marketing (Schmidt et al., 2007). Ideally, when studying dyadic relationships, data should be gathered *from both ends of the relationship and from more than one respondent in each organisation*. This enables the consequent observation both within the partner firms, and between the partner firms (Brennan et al., 2003). *In my research context, the empirical setting consists of the actual seller, buyer and intermediary counterparts in specific relationships*, a setting that has not, to my knowledge, been investigated earlier. This specific setting allows research of each of the three dyadic relationships in the context of the other two, and from both ends of the dyadic relationships, providing thus multiple perspectives on specific adaptations. As Brennan et al. (2003) noticed, respondents tend to emphasise adaptation made by their own organisation, and underestimate adaptation made by the counterpart. Therefore, it is important to include more than one perspective to specific adaptations.

### **1.3. The purpose and research questions**

*The purpose of this research is to build a comprehensive framework of adaptation in triadic business relationship settings in the service sector.* The framework describes how adaptations initiate, how they progress, and what the outcomes of these adaptations are. Furthermore, the framework takes into account how adaptations spread in triadic

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<sup>6</sup> A comprehensive discussion on previous adaptation research is provided in section 2.3.3.

relationship settings, i.e. *how adaptations attain all three actors of the triadic relationship setting*.

The framework concentrates on the content, the context, and the process (see Pettigrew, 1990) of adaptation. These three constructs form the key understanding by giving answers to the questions of why adaptations occur, how they occur, and what are the outcomes. The framework will be created by seeking answers to the following sub-questions:

- (1) How do adaptations **initiate** in a triadic business relationship setting? (context)
- (2) How do adaptations **spread** over time in a triadic business relationship setting? (process)
- (3) How do adaptations **change the structure** of a triadic business relationship setting and **the nature** of its relationships? (content)

*Sub-question 1 address the context of adaptation.* It aims to clarify what the impulses are that initiate adaptations.

*Sub-question 2 focuses on the process of adaptation* by investigating how adaptations spread from one relationship to engage all three actors. I have stretched the boundary of a dyadic relationship by incorporating the third actor into the research setting. Relationships are connected, and a given relationship does not only affect the two actors involved, but it may also have an effect on the third actor. Adaptive behaviour can also be seen as a response to different parties in a triadic relationship setting.

*Sub-question 3 addresses the content of the adaptations.* The content of the framework describes the structure and the nature of the existing relationships, when an adaptation in these relationships can be considered to have occurred, and how adaptations affect the relationships.

Adaptation is not an event but a process (cf. Pettigrew, 1990; Van de Ven, 1992). Therefore, a processual research approach has been chosen. Both the *time dimension* and the *multiplicity of actors* taking part in the process are involved in the framework. Several individual actors from each of the firms are involved in the study, and multiple perspectives on the same adaptations are included in the research.

#### 1.4. Delimitations

In this section, theoretical, empirical, and methodological delimitations of the research are discussed. The delimitations were determined by a desire to better gain an understanding of the complicated phenomena of adaptation that extends beyond a dyadic relationship.

### ***Theoretical delimitations***

The current research is limited to applying theories mainly from *the industrial network and interaction approach*, (Håkansson, 1982; Håkansson and Snehota, 1995a) by the Industrial Marketing and Purchasing (IMP) group. The chosen approach offers a relevant theoretical framework to analyse adaptation in a triadic relationship setting. Adaptation is a central concept in the industrial network approach. The IMP group researchers emphasise the role of the entire network and its actors, activities and resources (Gadde and Håkansson, 2001). Moreover, business triads are utilised in the earlier IMP research, both as an analytical tool (for example Ritter, 2000) and as a research perspective (for example Havila, 1996). Furthermore, the focus of my research is more on relationships as they are as what they should be, which is in line with the IMP research, emphasising *describing, understanding and developing* relationships in business networks.

Additionally, *service marketing and management* (Grönroos, 1995) literature is exploited to support the service marketing perspective. It helps in understanding the process nature of the services. Research on triadic relationship settings has its roots in *sociology*. Therefore, sociological theories of how individuals act in groups, and how they are influenced by groups, are utilised to understand business triads (e.g. Caplow, 1956; Simmel, 1969).

The core activity chain of the empirical research, corporate travel management, is in my research investigated from the buyer's perspective. Thus, the *industrial purchasing literature* would have been one option. Purchasing has also been studied from the interaction perspective, where the focus is on purchasing as a form of management of supplier relationships (e.g. Ford, Gadde, Håkansson and Snehota, 2003). However, the service suppliers and the business travel agencies are engaged in the business travel management process, and the network effects of adaptation are better revealed with the help of the industrial network and interaction approach.

Further alternative theories would have been *organisational theory, organisational studies, and organisational behaviour*, where the focus is on how people, as individuals and as groups, act within organisations. However, these studies fail to notice the link *between* organisations, and the networks they form.

### ***Empirical delimitations***

The empirical context of the research contains also delimitations. First, *this research is conducted in the business travel industry*. This industry serves as an example of a service industry with intangible and perishable services. Furthermore, the *travel management* function presents an example of an activity chain where the adaptations occur. This activity chain is investigated *from the buyer's perspective*.

Second, the core triadic relationship setting consists of the corporate buyer organisation, its service supplier, and business travel agency partners. These actors have their own roles. This relationship constellation represents *one type of a triadic relationship setting*. In another context, adaptations may have different features. However, the framework

created in this study may be applied to similar three-party relationships with a buyer, supplier, and intermediary.

### ***Methodological delimitations***

This research relies on subjectivist epistemology and the case study method<sup>7</sup>. *Retrospective processual case studies* with in-depth interviews are utilised in order to get a deep and comprehensive understanding on the phenomenon studied. The triadic relationship settings provide multiple perspectives to specific adaptations. Furthermore, other sources of information, for example industry reports, trade magazines, and market analyses are used.

The retrospective processual approach helps in revealing the complexity of business relationships and adaptations that occur in the relationships. *Longitudinal research* and the analysis of data collected at different points of time would have been an alternative. Brennan and Canning (2003) suggest an *ethnographic, or an action research approach*. However, adaptation includes elements that may best be captured first after the process has been brought to a close, or it has reached a given point. As Weick (1979: 194) states, “*all understanding originates in reflection and looking backward.*” Furthermore, Weick (2001) sees the perceived world as actually the past world, because things are seen and visualised before they are conceptualised and “*people know what they have done only after they do it.*” (Weick, 2001: 462)

Adaptation is a process, and studies focusing on a process have to come to an end. Meanwhile, the process in the real world continues. The researcher has to choose how far back in time she wants to trace the process (Dubois and Gadde, 2002). It is not always easy to define when an adaptation process starts, and specifically when it is complemented - if ever. Furthermore, an adaptation process may engage different actors at different points of time, and the right moment to collect data would have been difficult to specify beforehand in a longitudinal, or in an action research study.

In this study, *in-depth interviews with specific counterparts in specific triadic relationship settings provide the main source of information*. Interviews based on past experiences provide a comprehensive picture of adaptation impulses, adaptation processes, and adaptation outcomes. Adaptation is an ongoing phenomenon, and it may take time to develop. The outcomes may be detectable first after some time has passed (cf. Weick, 1979; 2001). Therefore, for example *observations* would not have been an efficient way to research this complicated phenomenon.

Brennan et al. (2003) suggest *co-interview techniques* where the informants are interviewed simultaneously. This approach would create the opportunity to address directly the possible conflicting views that the exchange partners may hold about the nature and the importance of adaptations in specific relationships. This approach, however, causes difficulties in practical details, because it is impossible to find a time that would suit the informants. Furthermore, the informants express themselves more freely when the counterparts are not present. I also believe that the conflicting views would not have been solved by discussing them openly.

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<sup>7</sup> Scientific philosophy and research approach will be discussed in section 1.7.

The chosen research approach is *qualitative*. Thus, *the research does not aim to quantify adaptation*. Prior research propose examples of gaps that could be filled by quantitative methods, for example quantification of the extent of socialisation, or emergent adaptation (Canning and Brennan, 2004), the effect of adaptation on firm performance at different levels (business strategy, marketing and relationship level), the costs and benefits of adaptation decisions (Schmidt et al., 2007), and evaluation of returns on investment once the adaptation process is completed (Brennan and Canning, 2002) could provide useful implications. However, due to the methodological choice, these have been put aside for further studies.

### 1.5. The central concepts

The following terms are regularly used throughout the thesis. Next I will outline how they are understood in this context.

The core concept of my thesis is *adaptation*. Adaptations are *relationship specific*, and they cannot as such be transferred to other relationships (Brennan et al., 2003). The individuals are the main agents for adaptation, and adaptation occurs in *interactions* between the actors. Interaction processes are difficult to distinguish from adaptation processes. However, I see interaction as a prerequisite for adaptation; meanwhile, to some extent, interaction can take place without adaptation. Furthermore, adaptations are future oriented, i.e. they come into effect at a future time, and that they change future exchange interaction (cf. Medlin, 2004).

I regard adaptation as *a particular form of co-operation*. Co-operation implies the practice of firms working in common with common goals, and possibly with commonly agreed methods (see e.g. Halinen, 1997: 45). One of the agreed methods may be adaptation. However, adaptations are not always harmonious, and they may not be worthwhile for all the participating actors. This relates specifically to a triadic relationship setting, where the actors may have, besides their common goals, also conflicting goals. Firms and individuals can co-operate to a certain extent without adapting. This would require, though, a static business environment, static relationships, and static organisations. However, the business environment and the organisations are dynamic, and adaptations are required.

Adaptations in a dyadic relationship have an impact on the network in which they are embedded. The structural context of the current study is a *triadic relationship setting*, which consists of three independent actors (firms) that are connected to each other, *either directly or indirectly*, for the purpose of doing business. The triadic relationship setting consists of three independent actors, meaning that their co-operation is voluntary and intentional, i.e. it is designed deliberately for specific purposes.<sup>8</sup>

When applying a *triadic approach*, I mean that I investigate each of the three dyadic relationships settings in the context of the other two dyadic relationships to which it is connected, *either directly, or indirectly*. In the empirical setting, *the actors of the triad*

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<sup>8</sup> Business networks may also evolve unintentionally from previous business relations and frequent interactions over a long period of time (Håkansson, 1982).

are an industrial enterprise, business travel agency and service supplier. The focus of the study is *adaptation between firms*. However, the analysis implies several levels, i.e. adaptations in the triadic relationship settings are investigated (1) *from the individual informant's perspectives*, and (2) *from the firm's perspective that they represent*. Furthermore, the firms form (3) *groups of firms*, for example, an airline and a hotel chain refer to service suppliers. A detailed explanation of the levels of analysis is given before the actual analysis, in section 4.2.4.

A triadic relationship setting can be seen as the smallest conceivable formation where the *connectedness* of relationships is possible to investigate (See e.g. Havila, 1996; Halinen and Törnroos, 1998). Interfirm co-operation starts from the micro interactions taking place, and the overall, or macro patterns of behaviour, which in turn put forth a top-down effect on the micro interactions taking place. Due to these interconnections, the behaviour of the parts of the network cannot be studied in isolation, and then added together to explain the system as a whole, i.e. it is not possible to examine the behaviour of each firm or relationship without taking into account the way behaviour and outcomes are linked to other firms and relationships. (Wilkinson, 2006)

*Change* is a concept closely related to adaptation. Change may function as an impulse to adaptation, but change may also be an *outcome* of adaptation. However, adaptation implies *specific changes* (Brennan and Canning, 2002) towards a specific relationship, i.e. they are not transferable to other relationships. The term adaptation may also be used in a broader meaning for a change, which is designed to serve the needs of multiple customers (Turnbull and Valla, 1986). Turnbull and Valla (1986), distinguish between “usual” adaptation and “unusual” adaptation. The former is designed to meet the needs of many customers, and the latter one to suit the needs of a specific customer. In Turnbull and Valla's terms, the adaptation I am investigating is “unusual adaptation”, because it is created for specific relationships in a triadic relationship setting.

## 1.6. Positioning the research within the marketing discipline

When conducting academic research, it is important to discuss explicitly the choice of theoretical perspective because the chosen perspective has an impact on the theoretical concepts and models, and on the chosen research methods (Gummesson, 2000). The current thesis is influenced by two schools of thought in the field of marketing: the *Interaction and network approach* (INA), also known as the Markets-as-Networks approach, and the IMP approach (Axelsson and Easton, 1992; Håkansson and Snehota, 1995a), and the *Service marketing and management approach* (SMM) by the Nordic School (Grönroos, 1995). The INA is the main theoretical approach, and the SMM serves as an important supporting approach for my thesis. The INA provides concepts and models to analyse adaptations and build the framework. The SMM confirms the service perspective in the study.

Methodologically, the IMP research is descriptive and explanatory rather than prescriptive. It is concerned with how different types of actors transform, consume, create and use economic resources in industrial systems. The main methodological approach is qualitative and longitudinal, case-oriented methodology, which is used to explain both network processes and structures. The perspective is processual, which

means that relationships are viewed to emerge, evolve, and end in a continuous and interactive process between the actors. In the INA research, complex models of micro-behaviour are formulated, taking into account insights generated by sociological theory. (Araujo and Easton, 1996; Halinen, 1996) The Nordic School, as well, encourages the use of qualitative research and conceptual theory development (Gummesson, 2001; 2002a; 2006). It also supports the development of existing theories, and the creation of new theories, as well as theory testing quantitative research when it is appropriate.

The INA and the SMM share a common background in *social exchange theory*, which grew out of the intersections of sociology, psychology, and economics. The theory has evolved from a dyadic model to a network model (See Cook, 1977). Homans (1958) developed the theory to understand the social behaviour of humans in economic actions. The core of the theory is best expressed in Homans's own words:

Social behaviour is an exchange of goods, material goods but also non-material ones, such as the symbols of approval or prestige. Persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. This process of influence tends to work out at equilibrium to a balance in the exchanges. (Homans, 1958: 606)

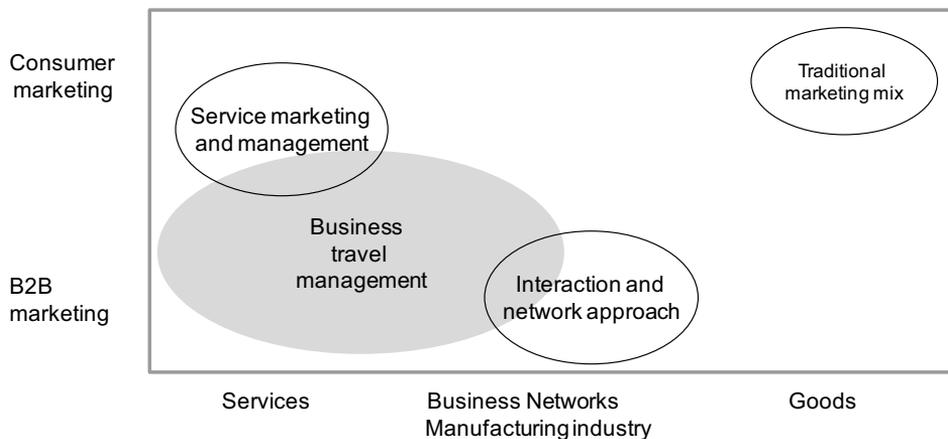
Social exchange theory is based on the central principle that the exchange of social and material resources is a primary form of human interaction, an exchange of rewards between actors. The social exchange perspective on business relationships underlines that the relationship develops only if both parties see the benefits of it (Webster, 1992; Easton and Araujo, 1994). Social exchange is important in adaptation research, because adaptations are regarded as elements in social exchange processes. Exchange and adaptation in a dynamic setting are closely related (Hallén et al., 1991).

#### 1.6.1. Business services and business networks in marketing research

The INA and the SMM share the same concern for market relationships even though they look at relationships from different perspectives, and in a different context. The research background of the SMM is on the *marketing of services* (e.g. Gummesson, 1977; Grönroos, 1979). The Nordic School emphasises *the process nature of the services*, where buying and consuming services are integrated processes that cannot be separated (Grönroos, 2006). The origins of the INA are in the empirical studies of supplier-buyer dyads in industrial markets, industrialisation, and distribution channels (Araujo and Easton, 1996). The Nordic School noticed that marketing of services needed a different approach than what was typical in marketing of products. Likewise, the IMP-Group found that B2B marketing differs from consumer marketing (Mattsson, 1997).

The development of relationship marketing and customer relationship management has tended to focus primarily on the sellers' activities in creating and delivering value. However, the SMM emphasises consumers' involvement in the value production process. The INA, as well, has from the very beginning had its focus on the dyad of seller and buyer. (Mattsson, 1997; Wilkinson, 2006)

Figure 2 illustrates the positioning of the current study (the business travel management ellipse), and the approaches that I have utilised: the interaction and network approach, and the service marketing and management approach. It also aims to illustrate the INA's and the SMM's distance from the traditional marketing theories and the traditional marketing mix. The distance is mainly due to their emphasis on long-term relationships and relational interactions. The empirical context, business travel management, is a B2B service, where the core relationships form a small network, which is a part of a larger network. Therefore, the theory building in the current study is influenced by theories from B2B marketing, service marketing, and business networks studies.



**Figure 2** Theoretical positioning of the research.

The INA, illustrated by an ellipse in the *B2B section* in Figure 2, mainly concentrates on *network relationships in the manufacturing industry*, dealing with *complex and multifunctional relationships*, which are *embedded* in a network of relationships (Håkansson and Snehota, 1995a). The network model links different parts of the network. Change in network relationships may emerge and shift from any other part to another. This is a phenomenon that the network view can reveal better than traditional marketing approaches or organisational theories. (Easton and Araujo, 1994; Håkansson and Snehota, 1995b; Halinen, Salmi and Havila, 1999)

In Figure 2, the ellipse illustrating the SMM is placed close to the consumer market section. The SMM is more specialised in *consumer markets*, and it concentrates on *less complicated relationships*, both when it comes to substance and to functions (Holmlund and Törnroos, 1997; Möller and Halinen, 2000). Also the embedded nature of the individual relationships is treated to a limited extent in the SMM (Mattsson, 1997).

Gummesson (2002b) argues that research both in consumer goods marketing, services marketing and B2B marketing currently merge under the label of relationship marketing. Most firms sell both goods and services, even those that would be classified as goods-producing firms sell products that have some element of service in them. From

the marketers' point of view, it is not meaningful to draw a strict border between goods and services, even though understanding services requires a different logic than understanding goods. (Grönroos, 1989; 2006)

### 1.7. Scientific philosophy and research approach

This section deals with the *scientific philosophy* and the *research approach*. Scientific philosophy demonstrates the way I see the world, and my thesis should be evaluated in terms of this philosophy. Scientific philosophy implies ontological and epistemological assumptions.

*Ontological assumptions* describe the nature of reality. We are making assumptions, and how we assume about how the world is, will affect the methodology we choose to adopt (Easton, 1995: 416). *Epistemological assumptions* define what counts as knowledge, i.e. they form the relationship between reality and the researcher (Healey and Perry, 2000). In epistemological discussions, other dimensions, for example *axiological* (i.e. the ultimate values, aims, or objectives of the research), ontological, and methodological dimensions are also involved, usually implicitly (Easton, 1995: 416).

I base my research on *realist ontology*. *Epistemologically*, the research relies on the *interpretive approach*, which springs from *constructivism*, i.e. my theoretical position employs a realist conception of social phenomenon. I use case studies to understand reality, i.e. I study the informants' perceptions because they provide a window to a reality beyond their perceptions (cf. Healey and Perry, 2000: 120). *The knowledge creation in my study relies on constructionist processes and interpretation*.

I assume a subjectivist epistemology, where the knower and the subject create understandings. I deny that one real world exists. Reality is socially constructed, contextual, and the individual realities are holistic, more than the sum of their parts (Hudson and Ozanne, 1988). I believe that,

the world consists of abstract things that are born in people's minds, but exist independently of any one person. (Healey and Perry, 2000: 120)

In other words, I believe that adaptation exists even though I would not be investigating it. However, with the case studies, I have the possibility to understand how it occurs, and can interpret it to create a theory.

Interpretive research is argued to be especially suitable for B2B research, where companies live with uncertainty, complexity, chaos, fuzzy boundaries, and continuous change in both technology and the marketplace. Business research with the help of interpretive methods is characterised by efforts to understand the complexity of the business world, and to add meaning to strategies, actions and events. (Gummesson, 2003; Black, 2006)

My aim is to provide "*thick description*" (Geertz, 1973). By adding variance, or detail, the interpretive process becomes more complex, and the researcher will achieve a thicker description (Hudson and Ozanne, 1988; Easton, 1995: 444). This is the major difference between positivistic and interpretive approaches, as positivists want to obtain

more generalised rules. I am not interested in prediction or control, but in “understanding the *verstehen* of the social group” (Hudson and Ozanne, 1988: 510). According to Bleicher (1990: 29),

interpretation is an activity the aim of which consists in arriving at Understanding.

Easton (1995: 450) sees constructivist approach problematic for industrial network research, because these approaches treat industrial networks as social phenomena, even though they are also economic and technological in nature. He argues that concentrating on the social aspect may result in a one-dimensional description. An argument in favour of an industrial network being a social phenomenon is that it is the individuals that co-ordinate their activities with other individuals. This provides the basis for what is described as network behaviour. However, actors cannot work within industrial networks without resources. Resources bring with them the technical and economic aspects that have an impact on the actors’ behaviour. (Easton, 1995: 473)

### 1.7.1. Case study method

The choice of method is dependent upon the research problem, the research design, and the purpose of the research (Ghuri, Grønhaug and Kristianslund, 1995). The best method to understand the complicated phenomenon of adaptation in a triadic context is the case study method. In this thesis, I use multiple sources of evidence, of which in-depth interviews are the main source, to understand the phenomenon of adaptation.

The goal of my research is analytical generalisation, expanding and generalising theories, rather than statistical generalisation or case comparison (cf. Yin, 2003). Because of context specificity and historical background, each relationship setting is unique and therefore difficult to compare with others (Halinen and Törnroos, 2005: 1288). The low statistical representativeness is replaced with depth and comprehensiveness (cf. Easton, 1995).

The IMP Group recommends case-based research when the aim is to understand the process by which specific relationships develop over time (Håkansson, 1982; Dubois and Gadde, 2002; Halinen and Törnroos, 2005). The business travel industry is network bounded. It is a service industry coping with perishable services where the network and relationships are important. Case studies in a network context give a full and rich description of a network of relationships between a multitude of events and factors (Gummesson, 2001; Halinen and Törnroos, 2005).

My study is exploratory in nature. In *exploratory research*, the case study method helps to determine the best research design and data collection method when the problem has not been clearly defined. I am applying *systematic combining* logic (Dubois and Gadde, 2002)<sup>9</sup>, which is more open-ended than for example the case study approach by Yin (2003). Neither the phenomenon nor its context is necessarily known prior to starting the research. In systematic combining, the context and boundaries of the phenomenon construct progressively as theory interacts with method and empirical observations.

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<sup>9</sup> for a detailed description, see section 3.1.

Thus, the research object, and its boundaries and context are emergent and unfolding outcomes of the research process. (Dubois and Araujo, 2004)

Easton (1995) provides justification for the use of the case study method when dealing with *complicated organisational phenomena*, such as adaptation. The case approach allows the detailed study of particular events over time, which can reveal the dynamics of business network processes (Easton, 1995: 483). Furthermore, a case study is useful when *little is known about the phenomenon, or the current perspective seems inadequate* (Eisenhardt, 1989:528; Ghauri and Grønhaug, 2002). Investigating adaptation in business triads in the service sector is an adaptation study *in a new context and with a new perspective*.

### 1.7.2. Preunderstanding

Gummesson (2000) argues that academic researchers give inadequate thought to the importance of pre-understanding. It helps to understand the research setting and all its nuances. Lack of it will cause the researcher to spend considerable time gathering basic information. This implies that the researcher already has knowledge insights and experience of the object as she/he approaches it, thus being unable to start with a neutral mind (Bleicher, 1990).

Before I started the research, I had pre-understanding of the business travel industry, and the specific relationship setting due to extensive working experience in the industry. I began my career in a travel agency as a sales clerk. I was located in the buyer organisation's premises, in an "in-house office", thus having close contact with the buyer organisation, and with its main suppliers. After some years, I changed from the seller's side to the buyer's side, continuing to work in the same setting, but with a different perspective. As a seller, I learned how important it is to create and maintain long-term relationships with the buyer. As a buyer, I realised the value of long-term supplier partners. My working experience was long enough to notice that the business environment and the relationships changed constantly, and required adapting. I also realised the importance of being involved in the relationships "at both ends" in order to understand both perspectives.

A further opportunity to expand my understanding of the business travel industry and its relationships is the ongoing co-operation with the Finnish Business Travel Association (FBTA). During the years as a corporate travel buyer, I was an active member of the association, thus getting the opportunity to learn how business travel was managed in other organisations, both nationally and internationally. Furthermore, I took part in the training activities of the FBTA. I also conducted a Nordic travel management survey in co-operation with the FBTA and its Nordic sister associations, which widened my perspective on travel management substantially, and gave me the inspiration to conduct this study.

Recently, I have taken a more of an outsider's perspective to the business travel industry and its core relationships. During the last five years, I have been training and tutoring business travel professionals for a degree in business travel and travel management in an independent educational establishment. My student base consists of "the core triads",

i.e. of the buyer, supplier, and intermediary representatives dealing with business travel management.

## 1.8. The structure of the report

In this section, I will explain how this report is organised. I will also give a brief description of the main sections and their aims.

**Chapter 1** was an introduction to the thesis. First, it presented the core concept of the thesis, adaptation. The structural context, a triadic relationship setting was also discussed, and an overview of business travel management and its triadic relationships was provided. *The aim was to give an explanation of what adaptation is in the organisational context, and why it is important to study adaptation in a triadic relationship setting.* Furthermore, I wanted to show *why business travel management offers a justified empirical context to the current study.*

In Chapter 1, research gaps were also revealed, and the purpose and research questions were stated. Moreover, the theoretical, methodological and empirical delimitations were discussed. The central concepts of the study were clarified to help the reader to follow this research report. Furthermore, the positioning of the study within the marketing discipline was explained. Finally, the research approach was discussed. My preunderstanding of the empirical research setting was also clarified.

The rest of the report is structured as follows: the theoretical framework (Chapter 2), the methodology chapter (Chapter 3), the empirical analysis (Chapter 4), and the concluding discussion (Chapter 5). An alternative structure for the report would have been to integrate the theories and the empirical findings into one chapter. It would have been in line with the systematic combining approach. The theory helped me to understand the case study findings, and vice versa. Furthermore, the empirical analyses widened the theory choices, and the theories enrich the empirical analysis. Thus, *the analytical framework that pulls together Chapter 2 is a result of a continuous movement between the theory and the empirical analysis.* However, when composing the report, I found it more reader-friendly to separate the theoretical foundations from the empirical analysis. This is because it would have been laborious for the reader to follow the long and winding path of the process. In the methodology chapter (section 3.6.1), I will clarify more in detail *how* the process proceeded.

**Chapter 2** explains the theoretical foundations of the research. Sections 2.1 – 2.3 give background information about business networks, triadic relationships, and the concept of adaptation. Sections 2.4 – 2.7 are devoted to the actual research questions of the research.

The chapter starts with a discussion of business relationships in networks (section 2.1). *The aim is to link a triadic relationship setting to its wider network context,* and the core triad and the network to which it belongs are presented. In section 2.2, triadic business relationships, and the connections between their actors, and the meaning of a triadic approach to business relationships is examined. Furthermore, previous research with three actors is reviewed, and different types of triads will be discussed. The core triad of

the study includes the intermediary. Therefore, its role, and changes in it will be given attention. The business travel industry is taken as an example. Section 2.3 provides a profound discussion of the concept of adaptation, and of previous adaptation research in the organisational context. *The aim of these sections is to give a comprehensive picture of the triadic relationship setting in order to justify the use of the triadic approach, and to find concepts and models that help in creating a framework for analysing adaptation in this specific relationship setting.*

Section 2.4 concentrates on adaptation initiation. This implies adaptation impulses at four different levels; at the actor level, dyad level, primary network level, and macro network level. *The aim is to find concepts that will help in analysing adaptation initiation in triadic relationship settings, i.e. the focus is on the context of adaptation, and on the first research question: How do adaptations initiate in a triadic business relationship setting?*

In section 2.5, I will discuss the process of adaptation. I will evaluate the process with the help of the content, nature, and the progression of adaptations. The *content* refers to what is adapted. The scale of adaptations, and their reciprocity, describes the *nature* of adaptations. *Process* clarifies how adaptations occur. I will address the process by describing the phases of adaptation, and how adaptations spread in the triad. *The aim is to find concepts and create classifications that will enable the analysis of how adaptations progress and spread in the business triad, i.e. the focus is on the second research question: How do adaptations spread over time in a triadic business relationship setting?*

Section 2.6 deals with the outcomes of adaptation at three different levels, implying actor (firm) outcomes, dyad outcomes, and triad outcomes. *The aim is to conceptualise outcomes of adaptations in order to be able to analyse how adaptations change relationships in triadic settings, and the triads themselves.* Thus, the focus is on the third research question: *How do adaptations change the structure of a triadic business relationship setting, and the nature of its relationships?* Section 2.7 summarises the chapter, and provides an analysis framework.

**Chapter 3** describes the research design and methodology, i.e. the procedures of data collection and interpretation I went through in order to find answers to the research questions. The chapter starts with a description of the systematic combining approach, and the way I applied it in my study (section 3.1). Thereafter, in section 3.2, I will discuss the processual approach. Section 3.3 describes the research setting. The interview process will be explained in section 3.4. The hermeneutic cycle that my reasoning followed, is described in section 3.5, and finally, the data analysis procedures are explained in section 3.6.

**Chapter 4** presents the case study findings. Sections 4.1 and 4.2 describe the empirical context of the study, and its main actors. The rest of the chapter is devoted to the actual data analysis. The structure follows the analysis framework created in section 2.7, i.e. each of the three research questions are addressed in their own section: section 4.3 deals with adaptation initiation, section 4.4 the process of adaptation, and section 4.5 adaptation outcomes. The analysis is based on four themes that emerged in the interviews. Those themes describe the adaptation impulses, and they are taken as

windows through which to look at the proceeding of adaptations, and their outcomes. A detailed description of how the analysis is structured can be found at the beginning of the chapter.

**Chapter 5** concludes the research. Section 5.1 provides a summary of the research. The theoretical and managerial contributions are discussed in sections 5.2 and 5.3. Furthermore, the quality of the research and the research report (section 5.4) will be judged in terms of the appropriateness of the method, credibility, transferability, dependability, and conformability. Finally, limitations and suggestions for further research will be presented in section 5.5.

## 2 ADAPTATION IN TRIADIC RELATIONSHIP SETTINGS

The previous chapter set groundings for the study by introducing the core concepts, and the structural, and the empirical context of the research. Research gaps were revealed, and the study's purpose was stated. Finally, the theoretical framework of the study was discussed.

This chapter builds the theoretical foundations for the research. The first section connects the triadic relationship setting to its wider network, and the second section concentrates on triadic relationships. The third section focuses on the concept of adaptation. Sections four, five and six focus on the three research questions of the study, i.e. adaptation initiation, process, and outcomes. The aim is stated at the beginning of each section. The chapter is concluded in an analysis framework, which is, in accordance with the systematic combining approach (see sections 1.7 and 3.1), an integration of the theory studies and the empirical analysis. The case study findings are presented separately in Chapter 4.

### 2.1. Business relationships in networks

Economic action and outcomes, like all social action and outcomes, are affected by actors' dyadic (pair wise) relations and by the structure of the overall network of relations. (Granovetter, 1992: 33)

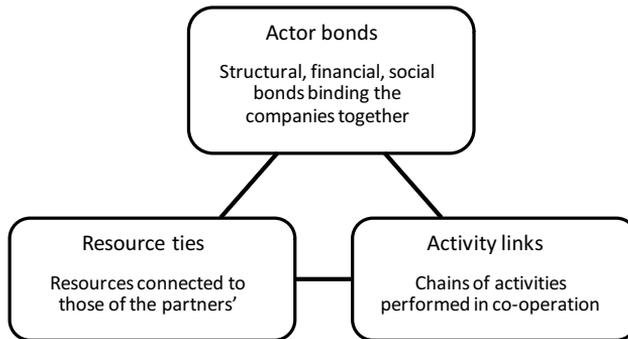
Firms and business relationships do not exist in isolation. A business network is usually conceptualised as a set of connected business relationships in which interfirm exchange is contingent upon exchange in other relationship (see e.g. Anderson, Håkansson and Johansson, 1994). Relationships are connected to a network context through direct and indirect relationships, i.e. they are *embedded* in the network of other relationships. This section describes business networks, and the ways of how relationships emerge between the actors in the network. The network related to business travel management is also presented. ***The aim of this section is to link the triadic relationship setting to its wider network context, and to give basic understanding of the connections between the core actors.***

Granovetter (1992) distinguishes between relational and structural embeddedness. The structural aspect is especially relevant, because treating a dyad as if it existed separately from its context may lead to the problem of "dyadic atomization" (Granovetter, 1992: 33), a type of reductionism. Single relationships are affected by, and affect the development of other relationships; they exist both in themselves and through their connections to other relationships (Anderson et al., 1994; Håkansson and Snehota, 2006).

However, it is difficult to explain a successful exchange without considering both the relational and structural dimensions. According to Nahapiet and Ghoshal (1998: 244), *relational embeddedness* contains the, "*personal relationships people have developed with each other through a history of interactions*". *Structural embeddedness*, in turn, implies, "*impersonal configuration of linkages between people or units*".

Thus, structural embeddedness describes the “impersonal” nature of embeddedness, meanwhile relational embeddedness includes interpersonal trust and trustworthiness, overlapping identities, and feelings of closeness or interpersonal solidity (Nahapiet and Ghoshal, 1998; see also Moran, 2005).

A basic model in the interaction and network approach (see section 1.6) is the network model where business networks develop in a continuous process between companies embedded in a network. Business relationships are formed by three elements and connections between them: actors, resources and activities (ARA). Actor bonds, activity links and resource ties bind companies together (see Figure 3). When business firms cooperate for a longer period, the need for adaptations in actors, resources and activities is apparent (Håkansson and Snehota, 1995a). Relationships develop between firms when activity links, resource ties and actor bonds are created.



**Figure 3 Actor bonds, activity links and resource ties connecting the firms. Source: Håkansson and Snehota, 1995a.**

### ***Actor bonds***

Actor bonds are established in interaction and they reflect the interaction and adaptation processes between the companies (Håkansson and Snehota, 1995a). They imply, for example, structural, financial, and social bonds. Actor bonds may also be economic, technological, geographical, time, knowledge, cultural, ideological and psychological.

*Structural bonds* (e.g. Dwyer et al., 1987; Morgan and Hunt, 1994; Wilson, 1995) involve value adding problem solutions, which are not dependent on an individual service agent. Thus, they are especially relevant in the B2B context (Berry, 2000). Structural bonds are created when organisations adapt to each other in economic or technical ways, for example in product or process adaptations (Perry, Cavaye and Coote, 2002; Sigala, 2007). The travel management process implies technology investments creating structural, and also financial bonds.

*Social bonds* are “investments in time and energy” between the individual employees. They imply “...positive interpersonal relationship and collaborative practices between the partners, although these can range from formal, organisational contacts through to informal, personal ones” (Sigala, 2007: 339, see also Perry et al., 2002). In B2B

services, social bonds are important, because the quality of the service may be evaluated based on human interaction between the individual actors.

*Financial bonds* are connected to negotiated purchasing volumes, and investments, for example, in technology. They may also imply loyalty programmes, which are common in the travel industry. Bonds may also be classified as *economic, technological, geographical, time, knowledge, cultural, ideological and psychological bonds* (Storbacka, Strandvik and Grönroos, 1994). In business travel management, relationships are generally based on contracts, implying thus legal bonds.

### ***Resource ties***

Resource ties connect different resources, such as technological, material and knowledge resources of companies. Relationship development requires incremental investments of resources, which may take the form of several adaptations in the product and process areas (Håkansson, 1982; Ford and Håkansson, 2006). Business travel management is based on resource allocation and technology integration between its core actors.

### ***Activity links***

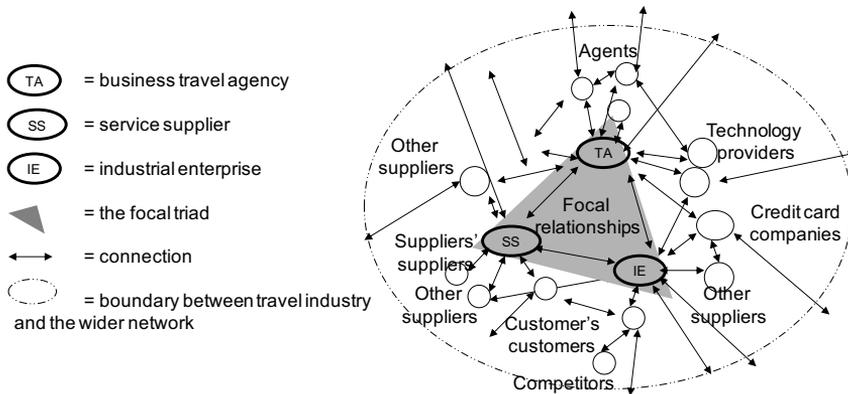
Every activity is a link in a chain of activities. Activity links include for example technical and administrative links between co-operating firms. The activities may be related to production, or to exchange, or they may be financial or legal activities. Some activities may be basically technical, and the others social. Furthermore, some activities are mainly mental, while others are primarily physical (Håkansson and Johanson, 1993). The travel management process represents a chain of activities in the current case study. It consists of booking, payment, reporting, and other management activities. This process will be described in detail in section 4.1.1.

#### **2.1.1. The network in corporate travel management**

Within the industrial network approach, the problem of dyadic atomization (Granovetter, 1992) has been avoided by conceptualising relationships as being connected and by introducing the concept of the triad (e.g. Laage-Hellman, 1989; Havila 1996). Figure 4 aims to illustrate in a simplified way one of the core triadic relationship settings of the current study, and of the wider business network in which it is embedded.

The shaded triangle in the middle of Figure 4 illustrates the focal triadic relationship setting and its three actors, i.e. the business travel agency, service supplier, and the industrial enterprise. The double headed arrows denote connections the actors have with each other. The focal actors have connections also with a number of other firms, for example, technology providers, credit card companies, and competitors. Furthermore, the business travel agency and industrial enterprise are connected to several suppliers, and the supplier to several other travel agencies.

The elliptical line enclosing the actors shows the imaginary boundary between the business travel industry and the wider network. The arrows pointing outside the core industry denote that the relationships exist also outside the travel industry, and to the fact that networks exist without limits (cf. Halinen and Törnroos, 2005).

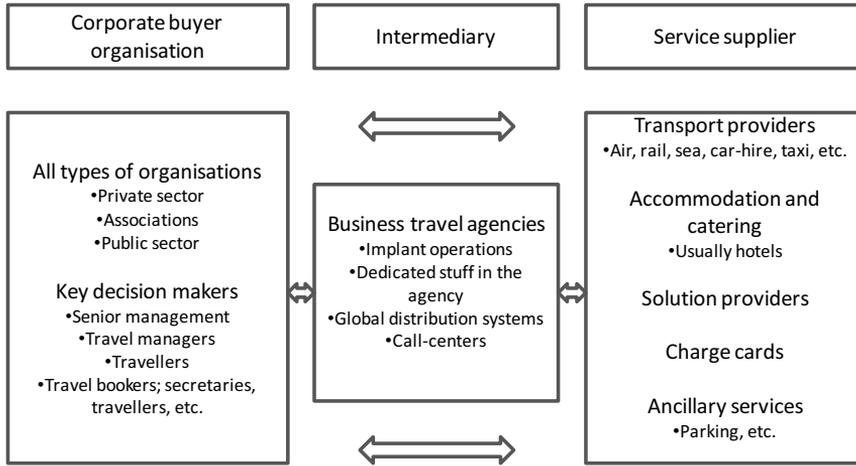


**Figure 4** Triadic relationships setting embedded in the wider business network.

The travel management process looks different depending on whose perspective is applied. Figure 5 illustrates the main actors in the travel management process *from the industrial enterprise's*, and Figure 6 *from the business traveller's point of view*. *The corporate buyer organisation* may be an organisation in public or the private sector, or it may be an association (see Figure 6). The key actors and decision makers in the buyer organisation may be many: senior management, travel manager, traveller, secretaries, etc. (Davidson and Beulah, 2003).

*Business travel agencies* bring together corporate buyers and suppliers by delivering travel related services. As stated earlier, business travel agencies have started to call themselves travel management companies in order to emphasise the change in their roles from a booking agent to an expert in travel management consulting (Davidson and Beulah, 2003). Some of them also package their own services for sale.

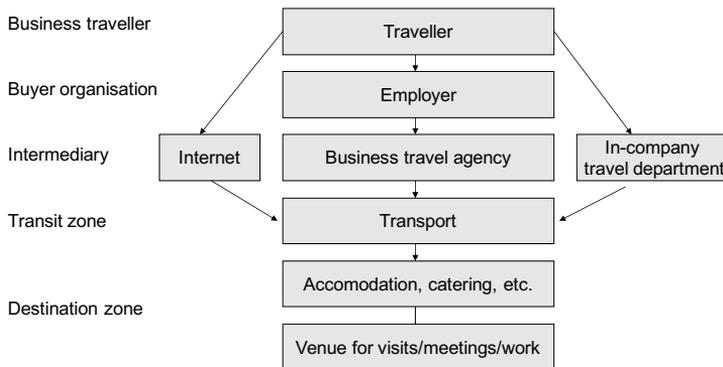
The business travel agency may handle the practical travel arrangement in several different ways, for example through “an implant”, which is the agency’s satellite branch based directly on the corporate buyer organisation’s premises. The agency may also serve through “an outplant”, a main branch where dedicated staff are assigned to particular accounts. Other solutions may be a main branch where a pool of staff handles a range of different accounts. The business travel agency may also implement an online booking service for the buyer organisation. (Davidson and Beulah, 2003) Furthermore, the buyer may choose to use the agency’s call center for travel bookings.



**Figure 5 The three main actors in corporate travel management. Source: Davidson and Beulah, 2003: 33, modified.**

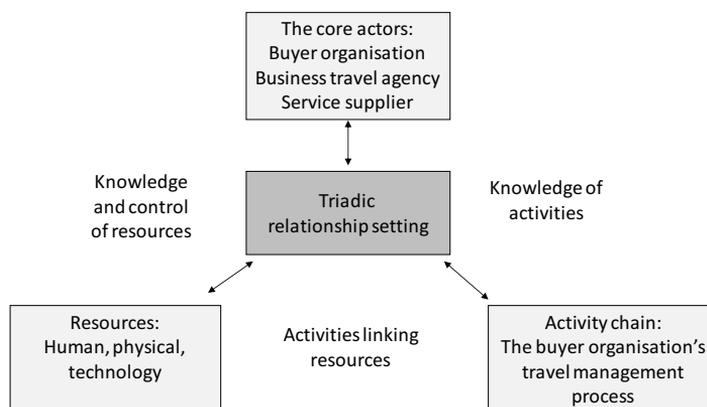
*Service suppliers* provide, for example, transport, accommodation and catering, data solutions, charge cards, and a number of ancillary services. Corporate buyers may interact either directly with the service providers, or through business travel agencies. Traditionally, a travel agency acts as an assembler of the various service suppliers. (Davidson and Beulah, 2003)

*From the individual business traveller's point of view*, the different actors join the process at different times of the business trip as is illustrated in Figure 6. The employer may have a dedicated person to book travel, for example an assistant, who in turn makes the booking via a business travel agency. Some services may be booked directly with an in-company travel department, or via the internet. The “transit zone” is operated by airline companies, or by other means of transport. The “Destination zone” means, for example, accommodation, catering, meeting and working facilities.



**Figure 6 Actors involved in an individual business trip. Source: Swarbrooke and Horner, 2001: 37, modified.**

The travel management process is an activity chain, where the firms<sup>10</sup> adapt their resources and activities. In Figure 7, the ARA model by the IMP group (cf. Figure 3) is adopted to the core triad. For adaptations to take place, the actors need to know each other. Communication and information exchange is the “groundwork” of relationships (Andersen, 2001). Adaptation, in turn, usually leads to a growth in information exchange (Cunning and Hanmer-Lloyd, 2002), and more intense contact patterns between the firms (Seyed-Mohammed and Wilson, 1989). Information on market and technological developments are likely to be exchanged in order to justify the costs of adaptation (Walter and Ritter, 2003).



**Figure 7** Actors, resources and activities in business travel management. Source: Håkansson, 1987, modified.

Information exchange is fundamental to adaptation because the actors need *knowledge of each other's resources and activities*. In travel management, it is essential to know the buyer organisation's travel patterns and destinations. Beyond this basic information, communication builds and coordinates relational norms through the exchange of personal, privileged, confidential and relationship specific information (Håkansson, 1982; Cunningham and Homse, 1986; Ford et al., 2003). Activities link resources and form *activity chains*. As stated earlier, the corporate buyer's travel management process is the chain of activities where the core actors co-operate and share their resources.

## 2.2. Triadic business relationship settings

The previous section explained the network of relationships in which the core triadic relationship settings are embedded. It also clarified how relationships develop between the actors. Some examples were provided from the business travel industry. ***The aim of this section*** is to give a comprehensive picture of the structural context of the study, the triadic relationship setting, and to justify the use of the triadic approach. Furthermore,

<sup>10</sup> Other firms may take part in the travel management process, for example payment card companies and system providers (see Figure 4). However, they are excluded from this research.

*concepts and models, which help to create a framework for analysing adaptation in triadic relationship settings, are discussed.*

A group of three actors is argued to be the smallest conceivable unit of analysis in which it is possible to study connections between relationships (cf. Easton and Henriques in Havila, 1996; Ritter, 2000). In the following, *different types of triadic relationship settings*, and the *connections* between their actors, and the *triadic approach* to business relationships will be discussed. The role of the intermediary, and changes in it, will be addressed, with some examples from the business travel industry. Triad research has its roots in sociology. Therefore, the following discussion is based on, besides marketing theories, sociological research.

### 2.2.1. Direct and indirect connections in triadic relationship settings

This research focuses on a triadic relationship setting, and on its three dyadic relationships that are connected to each other, either directly or indirectly, via a third actor. *The triadic relationship setting exists at the firm level between three actors, and it consists of three independent actors (firms) that are connected to each other, either directly or indirectly, for the purpose of doing business.*

Thus, in the same relationship setting, there may be situations where the three actors are *directly connected*, and situations where they are *indirectly connected* to each other. In other words, two actors may cope with a situation without the immediate help of the third actor. However, sometimes all the three actors are needed. In the business context, this may concern, for example, contract negotiations. The buyer may agree with the supplier to buy services via an intermediary. Both the buyer and the supplier, or one of them, discusses independently the terms of service delivery with the intermediary. However, sometimes it may be simpler to arrange a meeting where all three are present, so as to discuss the terms on the spot.

In a triad with *indirect connections*, each of the three actors may function as an intermediary between the other two (Havila, 1996: 26). That is to say, in addition to the direct relationship between actors A and B, there is a relationship between them that is derived from their common relationship to actor C (Granovetter, 1973: 1363). Consequently, the relationship between actors A and C, and the relationship between actors C and B, have an impact on the relationship between actors A and B.

A triad with *direct connections* (cf. Havila, 1996) functions as one relationship where social interaction is one entity. Then, an increase in social interaction between, for example, an intermediary and customer cause a decrease in social interaction between supplier and customer, and vice versa (Havila et al., 2004). The triad may also be called “transitive” (Madhavan et al., 2004). Social psychologists discuss triads at an individual level, and define them as groups where,

three individuals are observed to interact on successive occasions. These three are seen to come together repeatedly or to be in communication often, conversing, exchanging products, and so on. (Thibaut and Kelley, 1959: 191)

There also may be differences in *the strength of the connections*. Granovetter (1973: 1363) argues that triads are common if the relationships between actors A and B, and A and C are strong relationships. Then it is to be expected that there is also either a strong, or a weak connection between the actors B and C.

Whether the connections between the actors are direct or indirect, strong or weak, a triadic relationship setting may be investigated from two perspectives. The researcher may focus on *the actors*, or on *the relationships and their connections*. In business network studies, connectedness is often the focus of interest.<sup>11</sup> The focus is usually not on the triad as such, i.e. as a phenomenon, which could be compared to a group, but on the specific *connections* between the three parties or the relationships in the channel or in the network. This approach treats the triad as a specific type of triad, as a serial triad, or as a system<sup>12</sup> (Anderson et al., 1994; Havila, 1996). *In the current study, the focus is on the triads as such, and on the connections between its dyad actors.*<sup>13</sup>

### 2.2.2. Triadic approach to business relationships

Havila et al. (2004) raised a question as to whether the dyadic approach to international business relationships should be, in some situations, extended to a triadic approach (see also Phillips Carson, Carson, Knouse and Roe, 1998). Also Madhavan et al. (2004) argue that a triadic approach is especially relevant in cases where an intermediary is involved, and where all three actors have direct connection with each other, i.e. the triad is “transitive”. A triadic approach should be applied in situations where the social interaction pattern indicates that the business relationship has the form of a triad (Havila et al., 2004). Triads with indirect connections can also apply a triadic approach. For example, structural hole studies, i.e. when actor A is connected to B and to C, but B and C are not linked directly to each other (Burt, 1992), are about triads.

Only few business studies with three actors have an explicitly triadic approach (e.g. Havila, 1996; Trimarchi; 2001; Havila et al., 2004). Furthermore, it remains often unclear what is exactly meant by a triadic approach. In this study, *I define a triadic approach as an approach where the relationships in a triadic relationship setting are investigated from all three firm actors’ perspectives, and in the context of each other*. This provides an entirely new perspective to triadic relationship settings, and to adaptation research. This approach covers both direct and indirect connections between the actors. It reveals how actors are connected, and how the connections change in strength due to adaptations. Furthermore, prior research with three actors usually study separate dyads (e.g. Phillips Carson et al., 1997; Gutek et al., 2002). In my study, all the actors co-operate to develop the industrial enterprise’s travel manager process.

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<sup>11</sup> Holmen and Pedersen (2000) have provided a review of research using the concept of triad by focusing on connections between the firms.

<sup>12</sup> An in-depth discussion of different types of triads will be provided in the following section.

<sup>13</sup> For details, see section 3.3.1.

### 2.2.3. Research on triads

Research on triads has its roots in *sociology*. Exchange relationships between three parties have been studied in connection with social exchange networks by, for example, Thibaut and Kelley (1959), Cook and Emerson (1984), and Yamagishi, Gillmore and Cook (1988). Later on, connections between parties or relationships have been discussed extensively in the *distribution and marketing channel literature*, for example by Stern and El-Ansary (1992), and in connection with export channels (Cateora, 1990). *Traditional marketing theory* pays attention to intermediaries, and sees them as organisations that support exchanges between producers and consumers.

Table 1 provides examples of relationships where the third actor often plays an important role between the other two (see also Appendix 2 for a selection of business research with three actors), both directly and indirectly; for example, (1) between a buyer and a seller (Havila et al., 2004), (2, 3) between a manufacturer and an end user or industrial client (Anderson and Narus, 1990; Håkansson and Snehota, 1995b; Rosenbröjer, 1998), (4) between different nationalities and cultures (Fang, 2001; Trimarchi, 2001), (5) between a supplier and end user (Padro and Salle, 1994; Salo, Tähtinen and Ulkuniemi, 2008). Furthermore, (6) in business organisations with internal centralised functions, a unit or an individual actor has an important role between the end user and the service or product supplier (Andersson Cederholm and Gyimóthym', 2005).

**Table 1 Examples of studies with three actors.**

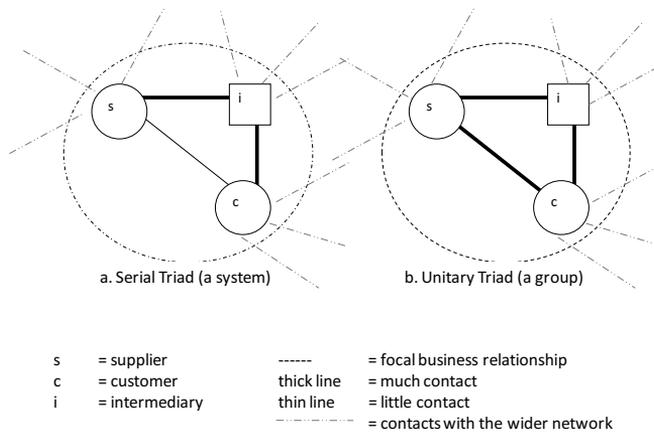
<i>Example of a triadic business relationship</i>	<i>Researcher(s)</i>
(1) Buyer - seller - intermediary.	Havila et al., 2004
(2) Manufacturer – distributor - end customer.	Anderson and Narus, 1990; Rosenbröijer, 1998
(3) Manufacturer - distributor - industrial client.	Håkansson and Snehota, 1995b
(4) Relationships between different nationalities and cultures.	Fang, 2001; Trimarchi, 2001
(5) Supplier – distributor - end user. Supplier – customer – end user.	Padro and Salle, 1994 Salo et al., 2008
(6) Business organisation – internal centralised function - end user.	Andersson Cederholm and Gyimóthym', 2005
(7) “Service triangle”	Phillips Carson et al., 1997; Gutek et al., 2002
(8) Third party logistics	Bask, 1999; Larson and Gammelgaard, 2001
(9) International corporation - sales subsidiary/agent - client.	Havila and Sandström, 1993; Havila, 1996
(10) Supply chain and logistics.	Phillips et al., 1998; Choi and Wu, 2009
(11) Employee - trade union - employer.	Phillips Carson et al., 2006
(12) CEO candidates – executive search firms – firms searching CEO.	Khurana, 2002
(13) Buyer –reference, word-of-mouth, experience, expectations, perceptions - seller.	Salminen, 2001

(7) In the service triangle (Phillips Carson et al., 1997; Gutek et al., 2002), which is a triad of a customer, service organisation, and individual service provider, the three actors are identified as the components of the service delivery process. Furthermore, three actors are involved (8) in third party logistics (Bask, 1999; Larson and

Gammelgaard, 2001), (9) in relationships between international corporation, sales subsidiary or agent, and their clients (Havila and Sandström, 1993; Havila, 1996), (10) in supply chain and logistics (Phillips et al., 1998; Choi and Wu, 2009), and (11) in relationships between employee, trade union, and employer (Madhavan et al., 2004; Phillips Carson, Carson, Bierkenmeier and Toma, 2006). Khurana (2002) has studied (12) the intervention of an executive search firm in CEO employment. Furthermore, (13) references, word-of-mouth, experience, expectations, and perceptions may also, implicitly or explicitly influence a dyadic relationship (Salminen, 2001).

#### 2.2.4. Different types of triads

The triadic relationship setting between supplier, buyer, and an intermediary can be characterised in two different ways depending on the role of the intermediary. It can function like *a series of two dyads* (serial triad), or like *a group* (unitary triad). In both cases, all three parties interact on successive occasions, and meet each other face-to-face between certain intervals. The difference is the strength of the relationship between the supplier and the customer. (Havila 1993; 1996) Figure 8 illustrates the two different types of triads.



**Figure 8** A serial triad and a unitary triad. Source: Havila, 1996: 27.

Other types of triads are bridge triad (see for example, Stern and El-Ansary, 1992), where the sellers and the buyers are not involved directly with each other, and a plural triad (Trimarchi, 2001), which contains a combination of relational and exchange relationships. A triad may also be classified into terminal, continuous, and episodic triads, according to the continuity of the relationships.

##### 2.2.4.1. Serial triad

In a serial triad, a *system view* is applied, i.e. one dyadic exchange precedes another, and the first one has an impact on the second one. The focus is then on the whole, and the

specific connections between the parts of the whole. It is also assumed that there is a boundary between the parts, which makes it possible to say which parties belong, and which parties do not belong to the system. (Havila, 1996)

A serial triad represents the traditional distribution arrangement, for example in business travel distribution. The intermediating actor, the travel agency, has a specific position between the supplier and the buyer organisation. The position of the intermediating actor is defined in relation to the other two actors, and it involves specific tasks, which are supposed to be performed in a predetermined order (cf. Havila, 1996).

#### 2.2.4.2. *Unitary triad*

A unitary triad is like a *group*, which is a central research object in social psychology and sociology (e.g. Homans, 1951; Thibaut and Kelley, 1959). In a unitary triad, every actor interacts with every other actor to more or less the same extent. Each of the three parties functions as an intermediating actor between the other two. The relationship between A and B is influenced by both of the relationships, the one between A and C and the one between B and C. (Homans, 1951: 248)

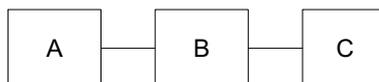
The boundaries of the group may be more or less clear. In small groups, a specific feature is the ability of the actors to distinguish the other actors of the group. There is the tendency to maintain the group as a unit, and to co-operate to reach common goals (Thibaut and Kelley, 1959), as illustrated in the example by Homans (1951: 135):

Two men reward each other, and thus cooperate with each other, when each provides the other with a service that he could not do for himself at all or could not do at such low cost. Sometimes the services the two men provide are similar, as when both put their weight into moving a rock neither could move alone. But often the services are different, which means that each man becomes a specialist as far as their cooperation is concerned.

In business relationships, this leads to differentiation of the tasks in different areas within the group. The position of the intermediating actor is unique in the way that this actor may perform the special tasks. (Havila, 1996) However, unlike in a serial triad, the tasks, or their order in time is not predetermined. Moreover, the positions in a group are defined in relation to the whole.

#### 2.2.4.3. *Bridge triad*

An *ABC Bridge Triad* is a triad very much like what might be expected from a classical marketing theory approach (see for example, Stern and El-Ansary, 1992). In an ABC Bridge Triad, the buyers and sellers are not involved in direct interactions (see Figure 9). The exchange tends to be rather dyadic in nature.



**Figure 9** Bridge triad.

The intermediary may have connections with a supplier whom the buyer would like to deal with, but to whom it is not connected directly. The relationship between the buyer and the supplier may be “inadequate or inappropriate”. In the bridge triads, the tasks of the intermediary may bind the network actors together, or they may be used to provide a barrier for regulating a buyer’s or seller’s participation in the network. (Smith and Laage-Hellman, 1992)

#### 2.2.4.4. *Plural triad*

An additional type of business triad is introduced by Trimarchi (2001), the *plural triad*, i.e. a business triad that includes actors from different cultures that are involved in a combination of relational and exchange relationships. This leads to mixed modes of exchange, and consequently, mixed modes of coordination mechanisms, where the relationship between intermediary and buyer is based on classical contracts, and the relationship between intermediary and seller is based on relational contracts (ibid.: 41).

#### 2.2.4.5. *Terminal, continuous and episodic triads*

Business relationships may be established for the time being, or for a predetermined period. Caplow (1968: 5-7) distinguishes between three types of business triads: Terminal, continuous and episodic business triads. Adaptations may seem to be most obvious in *continuous triads*, where the actors are related to each other for the time being, for example for the period agreed in the contract, like for example in business travel management. Adaptations occur then in order to develop the relationship on a long-term basis.

However, adaptations are probable also in *episodic triads*. According to Tähtinen (2001), an episodic triad is established for a certain time period for a certain purpose, and it dissolves when the time period is over. Adaptations may take place in episodic triads in order to facilitate the co-operation during the certain period. During this period, interactions are affected by earlier interactions and they affect future interactions (Tähtinen, 2001: 48).

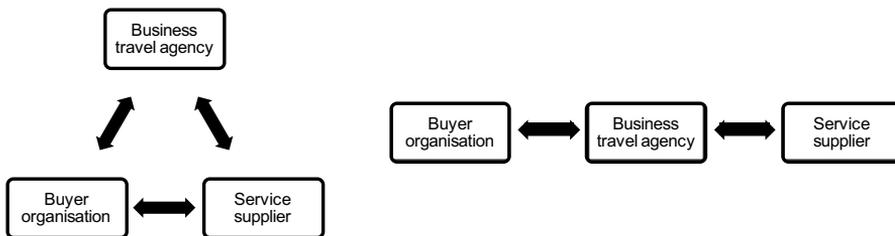
Actors of a *terminal triad* do not co-operate voluntarily, they prefer operating independently. In terminal triads, the actors are conscious of the fact that their relationship has continuity, not only in the past, but also in the future. The circumstances may not allow them to end the relationship. The element of continuity is not solely related to the actors’ wishes for the future, but also the fact that the present interactions affect future interactions. (Caplow, 1968; Tähtinen, 2001) Adaptations that occur in a terminal triad are designed to cope with the current situation.

#### 2.2.4.6. *Triadic relationship settings in business travel management*

The triadic relationship settings investigated in this thesis bear a resemblance to continuous triads, because contracts are negotiated for a certain period. However, when examining a business triad and its relationships, we have to become aware of the fact that the nature of the triad can change over the course of time. A relationship that started

as episodic in nature may change into a continuous one, if its intended purpose changes (Tähtinen, 2001).

In business travel management, the triadic relationship setting of a buyer organisation, service supplier, and business travel agency represents a traditional way to manage corporate travel (see Figure 10).<sup>14</sup> The triad may be a unitary triad, which functions as a group, or a serial triad with dyadic functions, depending on the role of the business travel agency (cf. Havila, 1996).



**Figure 10** Travel management triads.

Travel management may also be organised as a bridge triad, i.e. by having a business travel agency as a distributor. The corporate buyer may then have no direct contact with the service suppliers. Instead, the business travel agency manages the suppliers for the buyer organisation. In the simplified Figure 10, the triad in the left illustrates the unitary triad, and the one in the right a serial triad.

### 2.2.5. The role of intermediaries

In *sociological triads*, the third actor may have different roles. It may play the role of intermediary in respect of the other two, helping, through his own neutrality, to inhibit the dissolution of the group. The mediating actor may also act as a *tertius gaudens* (the third who rejoices), seeking to turn to his own advantage a disagreement between the other two. Furthermore, through a strategy of *divide et impera* (divide and rule), he may intentionally create conflicts between the other two in order to attain a dominant position or other gains. (Simmel in Wolf, 1950; Caplow, 1968)

Traditionally, intermediaries pull together the needs of buyers and sellers. They gather several sellers and several buyers with the same needs. Furthermore, there may be needs that are similar, but not identical (cf. economies of scale and scope). When relying on an intermediary, the sellers' needs may concern for example marketing, service delivery, supply chain management, and risk assumption functions. The buyers' needs may have to do with advice, assortment, customisation, price, time and place effectiveness, and post sales services. (Anderson and Anderson, 2002)

<sup>14</sup> A corporate buyer organisation may also choose to arrange business travel directly with the service suppliers without a business travel agency, and use for example a payment card company to provide reporting of travel costs.

*In triadic business relationship settings*, the intermediaries can expand the range of potential trading partners through their contacts. The two actors on both sides of the exchange prefer to gain information through intermediaries that they know. The role of the intermediary, can be critical in bringing two parties together by emphasising their shared interests and the potential for a mutually beneficial transaction (cf. Simmel in Wolf, 1950).

#### 2.2.5.1. *The trusted third parties*

Trust has gained a lot of attention in adaptation research (e.g. Hallén et al., 1991; Jeffries and Reed, 2000; Canning and Hanmer-Lloyd, 2001a; Walter and Ritter, 2003; Mukherji and Francis, 2007). However, trust is generally regarded as a dyadic concept, even though the assumptions of the counterpart's trustworthiness may be formulated by a third party's judgment. For example,

Company A may perceive the performance of supplier B as poor, since supplier B does not deliver the necessary material and components on time. Furthermore, customer C may perceive the performance of supplier B as deficient, since company A blames the supplier for its inaccurate deliveries that cause unreliable deliveries to customer C. Supplier B may judge the trust towards company A as troublesome, since the orders of materials and components are unreliable, which cause ups and downs in supplier B's manufacturing processes. (Svensson, 2004: 167)

Morrison and Firmstone (2000) refer to the "trusted third parties" in the *management of risk by trust*. Trust can be considerably increased when the individual or organisation has the right to appeal to a third party to ensure the enforcement of a performance or an offer. The third party may level out the fear of possible non-performance or misunderstanding.

*Economic trust* will exist when, for example, continuous interactions that lack social interaction, develop in a relationship where an intermediary deals with a buyer using open terms rather than relying on a contract for payment. Such activities reduce the potential for costs in transactions, and raise the degree of economic trust between interacting parties. (Trimarchi, 2001)

In the service context, Parasuraman, Zeithaml and Berry (1985) introduced *trust as a critical success factor in service relationships*. When establishing the determinants of service quality, they suggested that customers should be able to trust their service providers, and feel safe in the dealings with them. Thus, the third actor may have an important role in creating trust between service supplier and the client. As services are intangible, the customer will have to trust that the service provider can perform the service well before she chooses it for the first time.

Coulter and Coulter (2003) suggest that the effects of *the variables on trust are moderated by customer's knowledge of, or familiarity with the service industry in question*. They state that customer knowledge, or familiarity, is an important mediator of the effects of both "performance-related", (e.g. competence), and "personality-related" (e.g. empathy) characteristics on trust. The performance-related characteristics have a greater effect on trust when customers are familiar with a particular service

industry, and the personality-related characteristics have a greater effect on trust when customers are unfamiliar with a particular service industry.

### *Levels of trust*

As stated earlier (see section 1.1.3), relationships between the three core actors exist at different levels. In business settings, three levels where the intermediary may mediate trust are recognised; interpersonal, intraorganisational, and interorganisational trust (Basu, 1986). My research concerns adaptation between organisations, but it is the individuals that interact with each other, and individuals as members of organisations have trust (or mistrust), rather than the organisations. Thus, both *interpersonal and interorganisational levels of trust* are relevant to my research. They are related but separate concepts, and they play different roles in relationship performance (Zaheer, McEvily and Perrone, 1998).

When examining trust in interorganisational relationships, both levels of trust have to be investigated *simultaneously*. The outcomes of trust may be different when the boundary-spanning individual is considered separately from the rest of the organisation. Likewise, interorganisational research examining trust solely at the individual level may be missing important institutionalized effects of interorganisational trust. (Zaheer et al., 1998). *Interorganisational trust* can be defined as,

the firm's belief that another company will perform actions that result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm. (Anderson and Narus, 1990: 45)

*Interpersonal trust* may be either cognitive-based, or affect based. Cognitive based trust reflects technical competency, and is based on predictability, past behaviour, dependability, and fairness. Affect-based trust is rooted in emotional attachment and care and concern for the other party's welfare. (Jeffries and Reed, 2000) Interpersonal trust in the organisational context may be defined as,

trust placed by the individual boundary spanner in her individual opposite member. (Zaheer et al., 1998: 140)

Jeffries and Reed (2000) argue that organisational trust remains purely cognitive in nature. However, personal relationships have the potential to apply powerful influences on organisational buying behaviour and relationship management (Blois, 1997: 379; Bennett and Gabriel, 2001). Moreover, strong and trusting personal relationships are used to solve problems and difficulties that arise during the service process. Services are generally customised and people-intensive, and some level of trust is necessary for an exchange to occur. Furthermore, services are in the first place processes, and it is likely that they are weighted up continuously rather than only after the performance. Thus, services enhance long-term relationships (Liljander and Strandvik, 1995; Halinen, 1996).

Previous research shows varying results of the sequence and the importance of interorganisational trust and interpersonal trust. It is argued, for example, that high interorganisational trust and low interpersonal trust can co-exist in the same relationship, if boundary-spanning individuals come and go, whereas the

institutionalised structure and processes accompanying interorganisational trust are more stable and enduring (Ring and Van de Ven, 1994).<sup>15</sup>

The partners demonstrate their trustworthiness by committing themselves to the exchange relationship, and one important way of showing commitment is to adapt to the counterpart (Blankenburg Holm, Eriksson and Johanson, 1999). Relationship commitment may be defined as,

an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely (Morgan and Hunt, 1994: 23).

There are empirical findings, which show that trust and commitment are significantly positively related, such that the greater level of trust, the greater level of commitment (e.g. Anderson and Narus, 1990; Morgan and Hunt; 1994; Nielson, 1998). The social exchange process (Blau, 1964) entails a causal circularity between commitment and trust. Holmlund (1997), as well, notes that the order between trust and commitment is not obvious. She argues that they may be considered both as prerequisites for, as well as as consequences of each other.

Håkansson and Ford (2002: 137) argue that the party that is least committed to a relationship is likely to control it negatively by hindering its development. The positive development of a relationship is likely to be driven by the party that is most committed to it (ibid.). However, in business triads with an intermediary, trust rather than commitment, may be seen as the outcome of the atmosphere of the relationships. The fact that an intermediary exists in the relationship can be understood as an act of commitment. (Havila et al., 2004)

#### 2.2.5.2. *Disintermediation and reintermediation*

As e-commerce spreads, new business models replace the old ones. The internet can change dramatically the balance of power among clients, distributors, manufacturers and service providers. (Leek, Turnbull and Naude, 2003) Some actors may experience an increase in their power and profitability, and others may experience the reverse, or even find that they are bypassed. In general, the power has shifted from the seller to the buyer. (Chircu and Kaufman, 1999; Pölzl, 2000; Morris and Morris, 2002)

Tapscott (1996: 195) argues that intermediaries: “*need to move up the food chain to find new ways to create value to customers*”. Traditional intermediaries must either adjust or face elimination according to the *intermediation-disintermediation-reintermediation cycle* (Chircu and Kaufman, 1999; Morris and Morris, 2002). In this cycle, *intermediation* occurs when a firm begins as an intermediary between buyer and seller, i.e. when the relationship involves three actors. *Disintermediation* begins when an established intermediary is eliminated, and the relationships return to a dyadic relationship formation. *Reintermediation* takes place when a once disintermediated actor

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<sup>15</sup> Morrison and Firmstone (2000) make a distinction between personal trust and abstract trust. Abstract trust is trust in social systems, including organisational trust. Abstract trust operates across time and space, enabling trust to endure without personal relationships.

is able to re-establish its role as an intermediary, i.e. there are again three actors (Sarkar et al., 1995; Bédard, 2002; Sen and King, 2003; Lu, Deng and Wang, 2007)

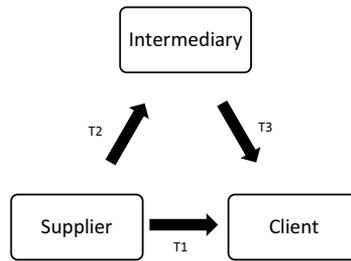
At the beginning of the internet revolution, electronic commerce brought the idea of *disintermediation* to many suppliers. Instead of going through traditional distribution channels, which have some type of intermediary (such as a distributor, wholesaler, broker, or agent), suppliers may now deal with every customer directly, for example via the internet. One important factor is a decrease in the cost of serving customers directly. (Malone, Grant, Turbak, Brobst and Cohen, 1987; Sen and King, 2003; Lu et al., 2007) Electronic commerce was seen as a way of cutting costs or increasing profits. It was thought that the internet would "disintermediate" intermediaries, and force them out of business by having suppliers sell directly to users (Sarkar et al., 1995; Anderson and Anderson, 2002).

However, many suppliers faced problems such as the high cost of handling to distribute small orders, dealing with massive amounts of customer service issues, and the time spent on dealing with retailers and other partners. Suppliers did not consider that they had to spend massive resources to accommodate pre sales and post sales questions of individual consumers. Before disintermediation, those distributors acted as salespeople for the producers. After disintermediation, somebody had to handle those customers. Furthermore, suppliers did not consider that selling online has high costs, for example developing a web site, maintaining the information and marketing expenses to draw online customers. It is also noteworthy that many suppliers did not consider the fact that being the only source of their products or services for online consumers is similar to having only one store in a city selling a particular brand. Many thousands or even millions of web distributors are pushing their own products and spending money to draw customers to their web sites. (Sarkar et al., 1995; Anderson and Anderson, 2002)

In *reintermediation*, a traditional industry actor has incentives to develop e-commerce capabilities and start competing in electronic markets as well. Important features for the reintermediating actor are the technological innovation and the assets the intermediary has in a traditional market, and its ability to reconfigure them in the e-commerce enabled marketplace. (Chircu and Kaufman, 1999)

There has also been a creation of new network-based intermediaries called "*cybermediaries*", which serve as a link between the suppliers and internet users (Sarkar et al., 1995; Morris and Morris, 2002; Lu et al., 2007). However, Chircu and Kaufman (1999) argue that traditional intermediaries have a better opportunity to reintermediate in the long-run, and even strengthen their position in the market as new intermediaries. Furthermore, the power of intermediaries, which often originates from their current direct relationship to end customers, may force suppliers to abandon efforts to fully bypass intermediaries for fear of causing retaliation (Sarkar et al., 1995).

Sarkar et al (1995) use economic, social and institutional logic to oppose the notion that e-commerce will lead to the disappearance of intermediaries. As is illustrated in Figure 11, they argue that when transaction costs of the interactions between intermediary and customer, and between intermediary and supplier are lower than costs of direct interaction between supplier and client, an intermediary is needed, i.e.  $T_2 + T_3 < T_1$  (see Figure 11). If  $T_2 + T_3 > T_1$ , the customer deals directly with the supplier.



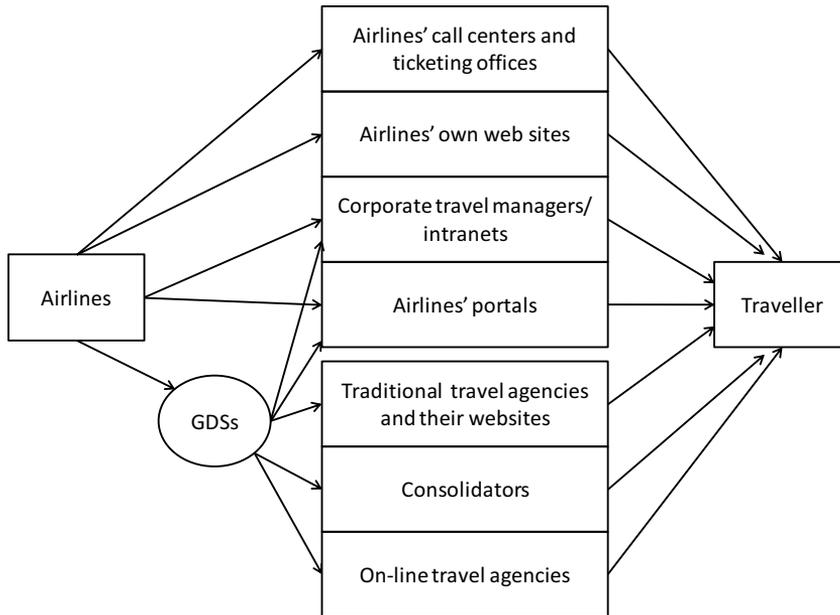
**Figure 11 Possible transactions between intermediaries, customers, and suppliers. Source: Sarkar, Butler and Steinfield, 1995, modified.**

However, transaction costs include not only monetary cost, but also everything needed to complete a transaction. The supply becomes more complex and fragmented, which creates opportunities for new types of problem solvers (Anderson and Anderson, 2002). It is argued that the impact of information technology (IT) on relationships between suppliers and buyers lowers transaction costs and supports arms-length relationships between the actors (Malone et al., 1987). Later on there have been contradictory results regarding the outcome of IT use (Hart and Eistrin, 1991; Clemons, Reddi and Row, 1993). The explanation for these conflicting results is that different types of IT applications can be used to support different types of relationships (Gallivan and Depledge, 2003)<sup>16</sup>. Most of these studies apply the transaction cost economic (TCE) framework (Williamson, 1975; 1985), where the unit of analysis is the transaction, while in social exchange theory it is the relationship. Thus, *the TCE fails to account for social exchanges such as trust and power.*

#### 2.2.5.3. *Disintermediation in the business travel industry*

The travel industry is a forerunner in the field of information technology, and one of the most interesting sectors in terms of the possibilities offered by the internet (Ankar, 2003). In the business travel industry, online travel created gradually new business models that changed the relationships between the key actors. Furthermore, simple travel between two city-pairs can be easily arranged without an intermediary. Airlines have started to exploit various channels to sell flight tickets (see Figure 12). They can sell directly through their ticketing offices, call centres, their own website portals and to corporate clients directly. The indirect channels which are open to them are the traditional business travel agencies, on-line travel agents, tour operators and consolidators. The indirect channels are supported by the Global Distribution Systems (GDSs), i.e. by a worldwide computerised reservation network used as a single point of access for reserving airline seats, and other travel related items.

<sup>16</sup> See Bunduchi (2005) for a review of research conducted in IT and electronic markets and their impact on business relationships.



**Figure 12 Airlines' distribution channels. Source: Alamdari, 2002: 340.**

The internet offers a direct channel to the clients, and suppliers encourage business travellers to buy tickets directly from airlines. A great deal of hotel bookings has traditionally been booked directly. However, to estimate the total cost of a booking, the average time spent on making a booking through each channel needs to be taken into account. It will take people different amounts of time to make the same travel arrangements, depending on the nature of the trip, skills of the people, and the efficiency of the source. According to a survey by The Association of Corporate Travel Executives (in Alamdari and Mason, 2005), when the booking time is given a monetary value (50-75 USD/hour, 500 USD/ticket), the most cost-efficient booking channel is an internet travel agency, followed by a conventional business travel agency.

### **2.3. The concept of adaptation**

In the previous section, the structural context of the thesis, the triadic relationship setting was addressed. It was noticed that there are many functions where the third actor has an important role. However, this role is changing, due to, for example, information technology. This concerns specifically the business travel industry, and requires adaptations. This section deals with this core concept of the current study: adaptation.

*The aim of this section is to identify concepts, theories, and models that help in creating a framework for adaptation in the triadic relationship settings.*

This will be acquired by a closer investigation of the concept of adaptation. There is no single accepted definition of adaptation. Thus, I will first investigate definitions of adaptation provided in previous research, and some concepts closely related to adaptation. Second, I will have a closer look at previous research on adaptation. Finally,

with the help of the review of previous research and related concepts, I will present a definition suitable for triadic relationship settings.

### 2.3.1. Definitions of adaptation in dyadic business relationships

The unqualified use of the term adaptations in the marketing literature is problematic, since it would not be unreasonable to define marketing itself as the process of adapting an organisation to meet the needs of the customer. (Brennan et al., 2003: 1638)

Adaptation is a well recognised concept specifically in the interaction and network literature. When defining adaptation between two actors, “interfirm adaptation”, “dyadic adaptation” and “buyer-seller adaptation”, are generally used. This turns the attention to adaptations in a particular buyer-seller relationship instead of adaptations in a macro network (cf. Figure 1).

Brennan and Turnbull (1996: 182) offered one of the first definitions of interfirm adaptation. This definition refers to adaptation as a behavioural modification:

Buyer-seller adaptations are defined as behavioral modifications made by one company, at the individual, group, or corporate level, to meet the specific needs of another organisation. (Brennan and Turnbull, 1996)

Canning (1999: 35) provides a more elaborated definition that specifies the needs as “new needs”. Furthermore, instead of meeting the needs of “another organisation” (cf. Brennan and Turnbull, 1995), adaptations are made to suit the needs of the “specific relationship”. She also adds the reciprocity (“one or *both parties*”) to her definition. Thus, she defines adaptations as,

modifications at the individual, group or corporate level which are carried out by one or both parties in an exchange relationship in order to suit new needs or conditions, and which are designed initially for that specific relationship. (Canning, 1999: 35)

This is a definition that has been applied in several other studies, for example by Canning and Hanmer-Lloyd (2002), by Brennan and Canning (2002), and by Canning and Brennan (2004).

The definition by Brennan et al. (2003: 1639) adds organisational modifications to the definition, and leaves out the reciprocity:

Dyadic adaptations are defined as behavioural or organisational modifications at the individual, group or corporate level, carried out by one organisation, which are designed to meet the specific needs of one other organisation. (Brennan et al.,: 1639)

Hagberg-Andersson (2007: 33) expresses the reason for adaptations, i.e. she sees them as *offensive* or *defensive* actions. Moreover, her contribution to the earlier definitions is that of the notion of an adaptation to meet the needs of one’s own organisation:

Adaptations should be regarded as offensive or defensive modifications, carried out by one or two parties to meet the needs of one’s own or another individual or organization. (Hagberg-Andersson, 2007: 33)

However, the definitions lack the impression of *the content of* adaptations, of which a number of researches give examples (e.g. Håkansson, 1982; Cannon, Achrol, Ravi and Grundlach, 2000). For example, the early IMP research by Håkansson (1982) refers to adaptation and describes it with the following example:

Another important aspect of the relationship is the adaptations which one or other party may make in either the elements exchanged or the process of exchange. Examples of this are adaptation in product, in financial arrangements, in information routines or social relations (Håkansson, 1982: 18).

Cannon et al. (2000) refer to inventory practices, product redesign and co marketing programmes as the objects of adaptation. Several researchers mention adaptations in human interaction, information exchange and learning (cf. Brennan and Turnbull, 1999; Brennan et al., 2003; Schmidt et al., 2007).<sup>17</sup>

### 2.3.2. Concepts related to adaptation

In marketing research, there are a number of concepts closely related to interfirm adaptation. Most of these concepts can be included in the concept of adaptation of the current research. I will discuss a selection of these concepts in order to highlight the minor or major differences between the associated concepts and the concept of adaptation of my research. The concepts will be summarised in Table 2.

Many of the related concepts share the notion of (1), “*investment*”, or “input” that are *relationship specific*, and that are not easily transferred to another relationship. Like interfirm adaptations, they are not marketable, or at least their value in other transactions is less than in the particular use for which they were indented (Ford, 1980). For example, Wilson and Mummalaneni (1988) use the concept of (2) *irretrievable investments* for investments that have no or less value in another relationship.

*Transaction-specific investment* (3) is a concept that was discovered long before adaptation. Sometimes it is used as a synonym to adaptation. However, in transactions cost analysis (Williamson, 1975; 1985), the unit of analysis is transaction, a transfer of services or goods between organisations including make-or-buy decisions, meanwhile in adaptation, the unit of analysis is the relationship. From a transaction cost economics perspective, adaptations create non-market assets, which render the adapting firm exposed to opportunistic behaviour by its counterpart (Brennan and Turnbull, 1996).

(4) *Relationship investment*, investment required in exchange relationships, and the sources of the returns over time, is a concept proposed by Easton and Araujo (1994). They offer a hierarchy of four relationship investment categories: minimal investment, relationship specific investment, relationship development investment, and secondary investment. The first category, (5) *minimal investment*, is the minimum investment required to do business (cf. Williamson’s transaction-specific investment). It is a unilateral investment in assets that are committed to a limited choice of business opportunities. The second kind of investment, (6) *relationship specific investment*, is concerned for example with adaptation of products and production processes, delivery

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<sup>17</sup> The content of adaptation will be discussed in detail in section 2.5.1.

procedures, and social codes to those of the counterpart's. In the third kind of relationship investment, (7) **relationship development investment**, both parties invest in the development of the relationship resources in order for the relationship itself to create new resources. They are more difficult to measure, but they are also more likely to be valuable. The relationship as a resource is used to create other resources, to produce adaptations, to find new ways of doing things, and to access third parties (Easton and Araujo, 1994). These three categories of relationship investment can be entirely included in the concept of adaptation of the current study.

The fourth type of relationship investment, (8) **secondary investment** takes place when one or both actors use the resources created within the relationship to develop new business opportunities. The secondary investments are not necessarily relationship specific. Furthermore, they may, or may not affect the relationships, which indirectly encourages their emergence. (Easton and Araujo, 1994: 79) In my research, I regard adaptation as "triadic specific", i.e. designed to develop relationships in the specific triadic business relationship setting.

Sometimes the term investment is used as a synonym for adaptation. However, I regard investment as too a narrow term to describe the diverseness of adaptation. In the IMP-research, investment is taken to mean an act in which resources are committed to the future of a relationship beyond what is routinely expected. Such investments may be, for example, the purchase of dedicated machinery, and the locating of a staff member on customer premises. In a service context, when the services are developed in co-operation, it is difficult to define what is beyond usual routines. Moreover, according to the IMP-approach, investments imply also adaptations (McLoughlin and Horan, 2000), and investment usually refers to a purposeful activity.

Halinen (1994: 226) divides adaptation into two further dimensions, namely investing and adapting. She defines *adapting* as an activity where the firm adapts itself to the requirements of the other party or to the demands of the contextual setting and eventual changes in it. Thus, adapting is regarded as a passive activity, implying the idea that the firm abides by the current state of affairs, and that it probably misses some business opportunities. *Investing* is in her research defined as an activity where the firm purposefully adapts or changes its resources in order to make the relationship more beneficial. (ibid.)

(9) **Integration** is described as closer adaptation, facilitating co-ordination of activities and processes that are more efficient, referring to large-scale adaptations (cf. Brennan and Turnbull, 1999). (10) **Flexibility** and **adaptability** are regarded as synonyms, referring to the capacity to adapt to face future changes (Jahre and Fabbe-Costes, 2005). Supplier flexibility is defined as the degree to which the supplier is willing to make changes to accommodate the customer's changing needs. This refers typically to short-term responses to sudden and unanticipated customer needs. (Cannon and Homburg, 2001)

(11) **Pledge** (Anderson and Weitz, 1992) is used in channel relationships. It refers to actions that the channel members undertake in order to show good faith and to bind the partners in the relationship. (12) **Commitment input** (Grundlach et al., 1995) refers to the credibility and proportionality of resource inputs committed to the relationship.

Heide (1994), discuss (13) *relationship specific physical or human assets* that are dedicated to a particular relationship and cannot easily be redeployed.

**Table 2** A summary of the selected concepts related to adaptation.

<i>Concept</i>	<i>Definition</i>	<i>Researchers</i>
(1) Investment	Processes through which resources are committed in order to create, build, or acquire other resources which can be used in the future. The firm purposefully adapts or changes its resources in order to make the relationship more beneficial.	Johanson and Mattsson, 1985; Easton and Araujo, 1994; Hallén et al., 1991; Halinen, 1994
(2) Irretrievable investment	Investments that have no or less value in another relationship.	Wilson and Mummalaneni, 1988
(3) Transaction specific investment	Transfer of services or goods between organisations.	Williamson, 1985
(4) Relationship investment	Investment required in exchange relationships and the sources of the returns over time.	Easton and Araujo, 1994
(5) Minimal investment	The minimum investment required to do business.	
(6) Relationship specific investment	Adaptation of products and production processes, delivery procedures, and social codes.	
(7) Relationship development investment	Both parties invest in the development of the relationship resources in order for the relationship itself to create new resources.	
(8) Secondary investment	One or both actors use the resources created within the relationship to develop new business opportunities.	
(9) Integration	Closer adaptation, facilitating co-ordination of activities and processes that are more efficient.	Jahre and Fabbe-Costes , 2005
(10) Flexibility/ adaptability	Capability to adapt to future changes. Short-term responses to sudden and unanticipated customer needs.	Jahre and Fabbe-Costes, 2005; Cannon and Homburg, 2001
(11) Pledge	Actions undertaken by channel members that demonstrate good faith and bind the channel members in the relationship.	Anderson and Weitz, 1992
(12) Commitment input	The credibility and proportionality of resources inputs committed to the relationship.	Grundlach et al., 1995
(13) Relationship specific asset	Physical or human assets that are dedicated to a particular relationship and cannot easily be redeployed	Heide, 1994

In summary, most of the concepts presented above share the notion of *relationships specificity*, i.e. something that is not as such transferable to other relationships. However, *the definitions of adaptation and the concepts related to it are too narrow to describe the diversity of the phenomenon that I investigate*. For example: investment is a purposeful activity, and it excludes adaptation as a socialisation process, or as an evolutionary process (cf. Brennan and Turnbull, 1999). Integration (Jahre and Fabbe-Costes, 2005) may be an outcome of adaptation. Investment, in turn, may be included in adaptation. Flexibility refers to short-term action, whereas adaptation implies both short time and long-time response (Cannon and Homburg, 2001; Jahre and Fabbe-Costes, 2005). Thus, the content of adaptation may be wider than mentioned in the definitions

above. Furthermore, adaptations are not always profitable for all actors involved in the relationship (Anderson and Weitz, 1992; Easton and Ajauro, 1994; Halinen, 1994).

### 2.3.3. Research on interfirm adaptation

The concept of adaptation was introduced already in the early IMP studies (see e.g. Ford, 1980; Håkansson, 1982). In the interaction model by the IMP group (Håkansson, 1982), adaptation is described as an important aspect of the relationship. Also later on, interfirm adaptation has interested mainly IMP-minded researchers. In the following, I will present a selection of research focusing particularly on interfirm adaptation, starting from the earliest studies. These studies are chosen, because adaptation is a central concept in them. Table 3 provides a summary of the research in a chronological order. The major findings, the empirical contexts, and whether adaptation is investigated from dyadic, or from both buyers' and sellers' perspectives is summarised in the table. (See also Appendix 1 for a more extensive and detailed list of studies on interfirm adaptation)

(1) The seminal research focusing particularly on interfirm adaptation was conducted by **Hällén, Johansson and Seyed-Mohamed (1991)**. In a quantitative study in the manufacturing industry, they tested propositions based on the social exchange theory and resource dependence theory, and found that *adaptations are associated with the power balance in the relationship*. Furthermore, they draw the conclusion that *mutual adaptation leads to trust building*. They also suggest that there may be a systematic relationship between the extent of adaptive behaviour within a relationship and the development stage of the relationship. Moreover, they discovered that *product complexity may cause the customer's dependence on the supplier, and the customer's importance may lead to supplier's dependence on the customer*. The study draws on an extensive international IMP-project, and it focuses on buyers' perspective on adaptation.

(2) **Brennan and Turnbull (1999)** draw conclusions about the forces that drive adaptive behaviour in buyer–supplier relationships, and reflect on the meaning of these findings for managers responsible for business relationship management. They categorise adaptations according to their *scale and formality*. Furthermore, they discover the connection between adaptation and trust, concluding that *adaptations tend to increase levels of trust and commitment in the relationships*. They agree with Hällén et al. (1991) about *the importance of power* of the relationships, but they state that power alone does not explain adaptive behaviour. Supplier's managerial orientation is proved to affect supplier adaptation, i.e. relationship marketing orientation enhances adaptive behaviour. They found *positive association between relationship age and adaptations*. The qualitative data is gathered both from buyers and from suppliers in the automotive and telecommunication industry, but the analysis concentrates only on the suppliers' perspective.

(3) Trust is a central concept also in the study of **Jeffries and Reed (2000)**. Their focus is on relational contracting. They pose the question of how trust affects the quality of solutions to problems of adaptation in relational contracting. Their conclusion is that *too much trust is as bad as too little trust*. Solutions are furthest from optimal when both organisational and interpersonal trusts are high, or when both of them are low. The research takes the contract managers' perspective.

(4) **Cannon, Achrol and Gundlach (2000)** focus on contracting and governance. They studied the moderating influence of adaptations on relationship performance in connection with contractual agreements and relational norms. Their major conclusion is that *contracts and social norms are effective in enhancing supplier performance individually and in combination*. Furthermore, the use of multiple sourcing enhances the performance of a supplier in conditions of low uncertainty and low adaptation. However, this is not the case when uncertainty is high and adaptation remarkable. The study is quantitative, and applies the buyers' perspective.

(5) **Ahmad and Buttle (2001)** studied adaptation as a means of retaining business customers, and preventing the relationships to fade away. According to their findings, customer retention succeeded primarily with the help of *bonding customers at the financial, social and structural level*. The study is a case study, and the data was gathered through open-ended interviews from both sides of the relationships in the chemical industry. However, as the study concerns retaining business customers, the implications concern the buyer.

(6) An additional research on trust and adaptations is provided by **Canning and Hanmer-Lloyd (2001b)**. Their research details the results and managerial implications from four case studies. The studies examine how the environmental adaptation process is managed within B2B relationships. *They model the process as a series of repeated sequence of information exchange, negotiation, commitment and execution phases*. The research has a dyadic perspective.

(7) Based on this same data, **Canning and Hanmer-Lloyd (2002)** provide a further study of modelling the process of adaptation. The focus of their study is on the adaptations intended to improve environmental performance and how the environmental adaptations are introduced into existing supplier-customer relationships. Furthermore, guidelines for managing the process are given. The researchers pay attention both to *inter-firm and intra-firm processes*, their sequence of events, activities and stages. They prove that managerial behaviour, managers' experience, and credibility affect the progression of the adaptation process. The study takes a dyadic approach and examines the shared experience of both the supplier and customer companies in relation to specific adaptation.

(8) **Brennan and Canning (2002)** went on with the research on the process of adaptation. The aim of their research was to present *a comprehensive model of the adaptation process in the inter-firm relationships from the managers' point of view*, i.e. to describe the behaviour enacted by firms from the point when a given adaptation is first considered to the point when the change (adaptation) is actually realised. They describe the activities the adaptation process entails between and within firms. They list *motivations for adaptation*, for example, the desire to deal with uncertainty due to changing business conditions, to make better use of the resources tied to the relationship, and to reduce the costs of doing business. Brennan and Canning do not link adaptations to the stages of the relationship life cycle (cf. Brennan et al., 2003). They discovered that adaptations are primarily committed for the benefit of the customer, and initiated by them. They noted that the willingness to co-operate with the third party encourages the progression of the process. Furthermore, they refer to the importance of

*trustworthiness in the behaviour and the experience of managers involved in the inter-firm process.* This can hinder or facilitate efforts to realise the adaptations.

The research is a case study consisting of two phases. The first phase investigates the process of adaptation enacted between firms, meaning the shared experience of both supplier and customer companies associated with specific adaptations. The second phase considers adaptation within an individual supplier or customer companies. *The focus is on intrafirm adaptation behaviour linked to specific adaptations.*

(9) The research by **Brennan, Turnbull and Wilson (2003)** provides *a classification of adaptations*. The classification system is a single system, where no differentiation of customer adaptation from supplier adaptation is made. Brennan et al. confirm the earlier research (e.g. Hallén et al., 1991; Brennan and Turnbull, 1999) of *the central role of power in the relationships*. Their conclusion is that mutual adaptation is a component of the trust-building process, and unilateral adaptation is a response to power relationship. In addition, *supply firms adapt more for powerful customers, and customers who offer reciprocal adaptation. Customers adapt more for suppliers that adapt for them, and suppliers that have an active relationship development policy.* Furthermore, they discovered a number of factors that predispose partners in a buyer-supplier relationship towards adaptation behaviour. Unlike Brennan and al. (1999), they did not find a positive association between relationship age and adaptations

Brennan et al. (2003) applied a mixed method of qualitative and quantitative approaches. With the qualitative study, they aimed to explore the managerial understanding of dyadic adaptation in order to refine the definition and improve the categorisation of the concept, to investigate the causal factors underlying the dyadic adaptations, and to obtain rich descriptions of particular adaptations in dyadic relationships. Quantitative data were used to test the classification scheme of adaptation, and the hypothesis of the causes of dyadic adaptations. *The research takes into account both the buyers' and sellers' perceptions of adaptations.*

(10) **Walter and Ritter (2003)** focus on the drivers for value creation in business relationships, more specifically *the influence of adaptations, trust and commitment on value-creating functions of customer relationships*. They discovered that adaptation is a major driver for direct value creation, meaning that suppliers could get fast returns on their adaptation investments. Commitment is a very important driver for indirect functions, because only committed customers are willing to contribute by means of input innovations, information on their market and future developments, and access to third parties. The research draws on a quantitative study, and concentrates on the suppliers' perspective.

(11) **Canning and Brennan (2004)** researched *strategy and adaptation both in the terms of content and process*. They investigated adaptation at different levels: *supplier-customer relationship level, marketing level, and business strategy level*. Their aim was to develop a more integrative understanding of the characteristics and significance of adaptation. Adaptation of the way in which a firm organises resources in order to achieve its goals is a central feature of strategy content and processes at all three levels. The research uses data from supplier-customer relationships in the information technology and telecommunication industries.

(12) **Hagberg-Andersson (2007)** contributes interfirm adaptation research by a doctoral dissertation with five essays. The major findings imply a *mutual dependence between the buyer and the supplier, the unequal degree of dependence, and the suppliers' dependency on the buyer*. She also noticed that the focal buyer perceives that the suppliers adapt more, and draws conclusions about the motives and outcomes of the adaptive behaviour. She describes created and intentionally created networks compared to unstructured or evolutionary networks in order to extend earlier theory and management concepts within business network management. The results show some differences. For example, in a created network, the readiness for adaptation was not as evident as in evolutionary networks. These studies contain both qualitative and quantitative data. They are mainly carried out from the supplier's viewpoint, even though the buyer's perspective is partly included.

(13) The research by **Schmidt, Tyler and Brennan (2007)** focuses on *different types of adaptation, the scope of the adaptations, and the reasons for adaptation*. They also pay attention to the costs and benefits of adaptation. They conclude that it is not usual to calculate explicitly the costs and benefits of adaptation decisions. Furthermore, managers often neglect and under-value the role of intangible adaptations, and direct their focus on altering the product, production process, or logistics function. The majority of the adaptations they discovered are tacit or ad hoc rather than tactical or strategic. *Adaptations are not used for explicit relationship building purposes*. The research by Schmidt et al. is conducted primarily in the service industry, and it takes into account both buyers' and sellers' perspectives. *The study includes services, but does not separate adaptations made in the service context from those in the manufacturing context*.

**Table 3 A selection of research focused on interfirm adaptation.**

<i>Researcher/s</i>	<i>Major findings</i>	<i>Empirical context</i>
		<i>Perspective</i>
(1) Hallén, Johanson and Seyed-Mohamed (1991)	Adaptations are associated with the <b>power</b> balance in the relationship. The actor with weaker power would have to adapt to the stronger actor. Product complexity leads to customer <b>dependence</b> Mutual adaptation is a consequence of <b>trust</b> building.	Manufacturing sector.
		Buyers'.
(2) Brennan and Turnbull (1999)	Differences in <b>scale and formality</b> of the adaptation. Adaptations tend to increase levels of <b>trust</b> and <b>commitment</b> . Adaptive behaviour is influenced by the <b>power</b> balance, but does not alone explain it.	Automotive, telecommunication.
		Suppliers'.
(3) Jeffries and Reed (2000)	Too much <b>trust</b> is as bad as too little.	Relational contracting
		Contract managers'
(4) Cannon, Achrol and Gundlach (2000)	Contracts and social norms are effective in enhancing supplier performance individually and in combination.	A variety of branches.
		Buyers'.
(5) Ahmad and Buttle (2001)	Customer retention primarily occurs by <b>bonding</b> customer at financial, social and structural level.	Chemical industry.
		Buyers'.

(6) Canning and Hanmer-Lloyd (2001b)	The need to understand <b>adaptation as a process</b> : the events, activities and stages. Gives guidelines for managing the process of environmental adaptation.	Telecom, plastics, cable, label supplier.
		Suppliers' and customers'.
(7) Canning and Hanmer-Lloyd (2002)	<b>The process of adaptation</b> : coordinated effort between information exchange, negotiation, commitment, and execution phases. Managerial behaviour, managers' experience, and credibility affect the progression.	Telecom, plastics, cable, label supplier.
		Customers' and suppliers'. Specific adaptations.
(8) Brennan and Canning (2002)	Provides <b>the intra-firm and inter-firm adaptations process model, and the combination of the two</b> . Motivations for adaptations. The adaptations are primarily for the benefit of the customer, and initiated by them. The behaviour and experience of managers involved in the inter-firm process can hinder or facilitate effort to realise the adaptations ( <b>trustworthiness</b> ).	Automotive, telecom, IT.
		Buyers' and sellers' (specific adaptations).
(9) Brennan, Turnbull and Wilson (2003)	Classification system. Mutual adaptation is a component of the <b>trust-building</b> process, and unilateral adaptation a response to the <b>power</b> relationship. Supply firms adapt more for more powerful customers, and customers who offer reciprocal adaptation.	Automotive, telecommunication.
		1 <sup>st</sup> phase: Buyers' and sellers' 2 <sup>nd</sup> phase: Sellers'
(10) Walter and Ritter, (2003)	Adaptation is a major driver for direct value creation. <b>Commitment</b> is an important driver for indirect functions.	Mechanical engineering.
		Suppliers'.
(11) Canning and Brennan (2004)	Adaptation of the way in which a firm organises resources in order to achieve its goals is a central feature of <b>strategy content and processes</b> .	IT and telecom.
		Sellers' and buyers'.
(12) Hagberg-Andersson (2006)	Mutual <b>dependence</b> between the buyer and the supplier/unequal degree of dependence Differences in adaptation within intentionally created networks and evolutionary networks.	Manufacturing industry.
		Suppliers'. Partly buyers'.
(13) Schmidt et al. (2007)	It is not usual to calculate explicitly the <b>costs and benefits of adaptation decisions</b> . Managers often neglect and under-value the role of intangible adaptations. Adaptations are not used for explicit relationship building purposes.	Transport engineering, printing and pharmaceutical industries.
		Buyers' and sellers'.

In summary, most of the adaptation research in the organisational context is conducted in the manufacturing industry. *There are no studies of adaptation on the pure service industry.* The study of Schmidt et al. (2007) is mainly service based, but does not distinguish between adaptations in the service industry from those in the manufacturing industry. A study by Halinen (1994) that was mentioned earlier, discusses adaptation, even though adaptation is not the focus of the study.

Canning and Hanmer-Lloyd (2001b), Canning and Hanmer-Lloyd (2002), Brennan and Canning (2002), Canning and Brennan (2004) and Schmidt et al. (2007) take into consideration *both buyers' and sellers' perspectives*. However, only Canning and Hanmer-Lloyd (2002), Brennan and Canning (2002) study *specific adaptations in specific relationships*.

Furthermore, *the studies neglect the impact of adaptations on the wider network, or on the third actor*. They do not pay attention to *the contextual setting and timing of adaptations* (cf. Halinen, 1994). Furthermore, the studies discussed above have as *the focus the behaviour itself, and not on its outcomes*.

Additionally, the process of adaptation is studied (Canning and Hanmer-Lloyd, 2001b; Canning and Hanmer-Lloyd, 2002; Brennan and Canning, 2002), but *there is no research that would offer a comprehensive picture of adaptations in everyday interaction processes*.

*Trust and commitment* (e.g. Hallén, et al., 1991; Jeffries and Reed, 2000; Canning and Hanmer-Lloyd, 2001a; Mukherji and Francis, 2007; Walter and Ritter, 2003) are among the most important concepts in adaptation research. They are also meaningful in a triadic relationship setting, as discussed in the section 2.2.4.1. Furthermore, *power and dependence* (e.g. Hallén et al., 1991; Brennan and Turnbull, 1999; Brennan et al., 2003) are important concepts in adaptation research (A more profound discussion of power and dependency will be provided in the section 2.5.2.2).

#### 2.3.4. Defining adaptation in a triadic relationship setting

Like the discussion above reveals, adaptation is generally considered as a dyadic phenomenon. In this research, I will use the term “adaptation”, instead of “interfirm adaptation”, to emphasise that adaptation is not bound to a dyadic relationship, or to a buyer-seller relationship, but may include several actors. I will take into account the *connectedness* of the relationships, and examine adaptation as “triadic specific” adaptation, which may not be transferable *as such* to another relationships outside the triad.

I will classify the content of adaptation into adaptations in *actor bonds, resource ties and activity links*, (Håkansson and Snehota, 1995a, see section 2.1) *because* these are the elements that bind the firms together. Additionally, adaptation may be as well *proactive* as *reactive*, i.e. it is not necessarily completed due to “*new needs or conditions*” (cf. Canning 1999). Adaptation may be carried out proactively, in order to improve the relationships, or to discover more effective ways to co-operate (Brennan and Turnbull, 1995). Reactive adaptation is an answer to changing conditions.

An additional feature I want to emphasise in my definition is the *contextual setting and timing* of adaptation (cf. Halinen, 1994). Due to continuous changes in the business environment, “*a well adapted resource at time t may be unsuitable at time t+, and its adaptability with regard to the new context will be questioned*” (Jahre and Fabbe-Costes, 2005: 153). Thus, I will define adaptation in triadic relationship settings, as:

Pro-active or reactive adjustments in actor bonds, resource ties, and activity links in triadic relationship settings that take into account the contextual setting and changes in it. Adaptations are designed initially for a specific business relationship in a triadic relationship setting, and they are not transferable as such to other relationships.

Adaptations occur in relationships between individuals and between organisations (Brennan and Turnbull, 1996; Canning, 1999; Brennan et al, 2003). Adaptations have an

impact on the relationships in the triad, and on the triad itself. There is a reason to make adaptations (Schmidt et al., 2007), i.e. there is an impulse that functions as a trigger to adapt. In proactive adaptation, the impulse may be in the future, i.e. something that the actors prepare for. In reactive adaptation, the impulse is in the present time, i.e. something has happened, and the actors cope by adapting. Diverse adaptations lead to processes with different phases (Canning and Hanmer-Lloyd, 2001b; Canning and Hanmer-Lloyd, 2002; Brennan and Canning, 2002). The processes are characterised by different scales and formality (Brennan and Turnbull, 1999), and different degrees of reciprocity (Brennan et al., 2003).

## 2.4. Initiating adaptation

The preceding sections have acquainted the reader with the structural context of the research, the triad relationship setting, and the core concept, adaptation. The remaining sections of the theory chapter will address the three research questions of the study, i.e. initiating adaptation, adaptation process, and adaptation outcomes. *The aim of this section is to find concepts that will help in analysing adaptation initiation in a triadic relationship setting, i.e. the focus is on the context of adaptation, and on the first research question: How do adaptations initiate in a triadic business relationship setting?*

I will approach this question by discussing the impulse sources and impulse types. *An impulse source describes where impulses initiate.* In Figure 13, I will use the business travel industry as an example to illustrate this.

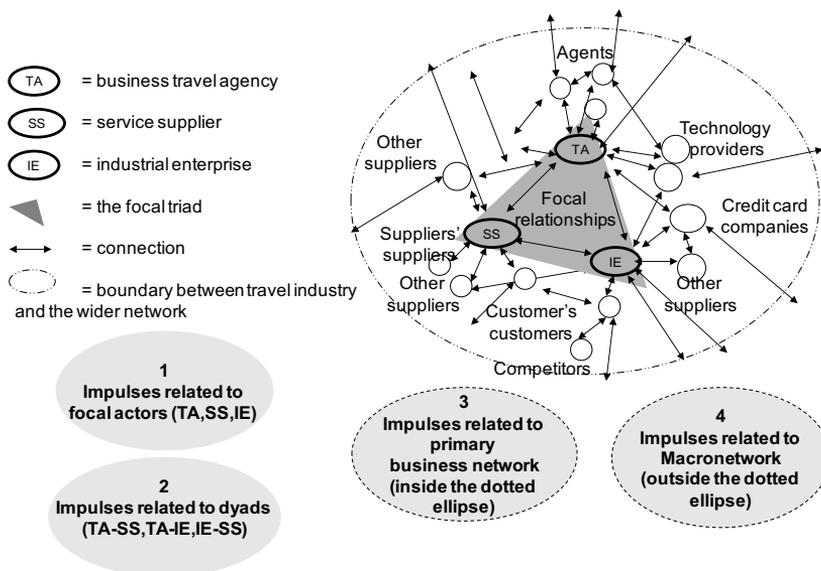


Figure 13 The four impulse sources.

*The impulse sources may be related to the focal actors (firms: TA, SS, IE), the dyadic relationship (TA-SS, TA-IE, IE-SS), the primary business network, and the macro network. Impulse types may be endogenous or exogenous. Endogenous impulses may arise (1) from the firms (TA, SS, IE), or (2) from the dyads (TA-SS, TA-IE, IE-SS) within the triadic relationship settings. Exogenous impulses have their origins (3) in the primary business network in which the triadic relationship setting is embedded, i.e. the industry specific network, or (4) in the macro environment, i.e. the other industries, and society as a whole (cf. Anderson et al., 1994: 4; Håkansson and Snehota, 1995b: 271). In Figure 13, the primary network is placed inside the dotted elliptical line, and the micro network outside this line. In sum, the triadic relationship setting as such does not provide impulses for adaptation. The impulses are mediated through the actors (firms), through the dyads and through the network.*

#### 2.4.1. Impulses related to the firms

Change within a firm in the triadic relationship setting, and in its resources and activities, generally leads to adjustments within the two remaining actors in order to make a fit between the three of them. Impulses for adaptation may originate from organisational structures of the firms. Mergers, acquisitions, and partner switching usually require adaptations (Halinen et al., 1999; Öberg and Holtström, 2006), as well as internationalisation, new market entry and new subsidiaries (Elo and Törmänen, 2003). Bankruptcy is an impulse requiring adaptations from all the counterparts (Havila and Salmi, 2000). All the entrepreneurial and strategic actions belong to this category, implying changes in business, marketing and purchasing strategies. Furthermore, impulses may concern operational changes, for example managerial or financial management. Changes in personnel function as an important impulse for adaptations. (Halinen et al., 1999; Mainela, 2002; Elo and Törmänen, 2003) Social bonds, and the tacit knowledge may have created certain routines that will be adapted to fit the new circumstances. Changes in top management may also act as an adaptation impulse.

#### 2.4.2. Impulses related to the dyadic relationships

Changes in dyadic relationships, in their actor bonds, activity links and resource ties are generally an impulse for the third actor to make adaptations. Firms must continually evaluate their resources allocated to counterparts. For example, the value of the existing client may change over time, thus functioning as an adaptation impulse. (Gadde, 1993) As firms develop relationships with a specific counterpart, it may require that they have to diminish their involvement in other relationships (cf. Håkansson, 1992; Gadde, 1993:54), for example, relationship with the third actor. Conversely, closer involvement with one of the actors may lead to closer involvement also with the third one, or vice versa.

In practice, the impulses related to dyads may imply, for example, changes to the contracts between the partners, price increases or changes in delivery arrangements (Tähtinen, 2001). Adaptations are also stimulated by the desire to achieve cost reductions (Ford, 1980). Furthermore, the impulse originating from a dyad may imply human and technological resources, i.e. if a contact person is missing in one of the

organisations, it may affect the triadic relationship setting as a whole. Establishing new contacts in a dyad may also require additional contact persons within the third actor. Havila and al., (2004) noticed that the business triad functions as one business relationship where social interaction is one entity. Thus, an increase in the social interaction between intermediary and customer cause a decrease in social interaction between supplier and customer, and vice versa (ibid).

#### 2.4.3. Impulses related to the primary business network

Halinen (1994: 226) takes into account the contextual setting of the relationships by stating that by adapting the firm adapts itself not only to the requirements of the other party, but also to the demands of the contextual setting and eventual changes in it. Thus, impulses to adaptation may relate to the primary business network to which the relationships belong. Impulses may derive from changes in the position of the actors within their primary network. Important actors may disappear and new actors enter the network (Tähtinen, 2001). For example, Halinen (1997) found that a rapid international expansion of the company and various conflicting interests within it functioned as an impulse for the development of the case company's advertising agency relationship.

The travel industry undergoes structural changes regarding, for example, the development of booking and video conferencing technology. Furthermore, the airline industry is facing increasing competition due to deregulations, which is an impulse for adaptations. The primary business environment is competitive, thus competition acts as an impulse for adaptation. It may concern new entry competition, for example, the emergency of low cost airlines, or tightening competition with the existing actors.

#### 2.4.4. Impulses related to the macro network

Impulses related to the macroenvironment may be in technological, economic, political, and social conditions of companies. They may also be related to demographic changes, or changes in industrial structures, which are mediated to the focal relationships through the many links with other actors in the business network. (cf. Halinen et al., 1999; Elo and Törmänen, 2003)

Economic recession is an impulse behind a variety of adaptations. It has far-reaching effects on business networks where actors are dependent on each other through activity links and resource ties. Furthermore, companies are facing competition, and uncertain market conditions in the macro environment, which may act as impulses to adaptation. (Halinen et al., 1999; Brennan and Canning, 2002; Zineldin, 2002) Economic reform and membership in the European Union (Salmi, 1995; Mainela, 2002) are examples of impulses originating from the macronetwork.

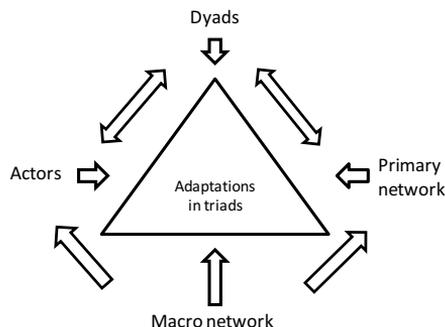
The business travel industry is well known for its sensitivity, for example, to economic fluctuations, fuel price, world politics, wars, and health epidemics (Bender and Stephenson, 1998; Davidson, 1998; Franke, 2004; Caamano, 2008). EU legislations and environmental concerns are impulses for adaptations in the airline industry. The elimination of international trade barriers has resulted in a global marketplace, making

business travel one of the most important profit and growth sectors of the tourism industry (Davidson and Beulah, 2003). Economic fluctuations, fuel prices, infrastructure, natural disasters, the image of a destination, to mention a few, are impulses to adaptation related to the macro network.

#### 2.4.5. How impulses mediate to the triadic relationship setting

As stated earlier, a triadic relationship setting is less stable than dyads or larger groups (Caplow, 1956). When changes occur in any of the four sources described above, the actors may have to adapt their needs and resources (cf. Anderson et al., 1994; Halinen, 1997). Impulses leading to adaptations in a triadic relationship setting are mediated by the firm actors, by the dyads, by the primary network, or by the macro network (see Figure 14). Changes in the firms may also be mediated through the dyadic relationships, for example changes in their social interaction (Havila et al., 2004).

Impulses from the macro network may affect the triadic relationship setting directly, or through the primary business network, as is illustrated in Figure 14. For example, technology development may affect the triadic relationship setting directly, by threatening the intermediary's existence (cf. disintermediation, section 2.2.5.2). Economic fluctuation and uncertain market conditions occur in the macro network, and mediate to the triads through the primary network. The primary network and dyads may also have a connection. For example, a new self-booking system may be developed in a dyad, which enhances general development in the primary network, and thereby gives an impulse back to the dyad.



**Figure 14 The interconnectedness of the impulses.**

As the number of arrows in Figure 14 illustrates, impulses from firm actors, dyadic relationships, primary network, and macro network may be extremely interdependent. In practice, they may be overlapping. Andersson (1996) emphasises that changes, for example in physical flows of distribution, or in the social aspect of the interactions, are inseparably interwoven with other political, social, economic and technological change processes. Changes, e.g. in economic conditions, will be transformed into, or at least combined with endogenous change through the network (Halinen et al., 1999).

Impulses may also be overlapping in the sense that two similar impulses have an effect on one another. For example, if a supplier has closed a contract with a client just before another supplier gets into contact with the same client. (Hedaa and Törnroos, 1997) Impulses may also be a part of a series of events that gradually create pressure on one or all the actors to make major adaptations (Halinen et al., 1999; Tähtinen, 2001).

Impulses have other specific features. They may appear frequently or infrequently. For example, a phone-exchange may have busy lines, or on-line connections may be out of function, which may cause difficulties for customers to get into contact with the supplier. An infrequent impulse may be illustrated by replacement of an important boundary spanner, for example a new salesperson replaces the old one. (Hedaa and Törnroos, 1997)

An impulse has also a relational connection to the past, present and future modes of temporality. An event taking place at present is temporally connected to antecedent events. Relationships have been historically developed through trust and commitment through, for example, inputs in business relationships. The relationships are also loaded by future expectations about business gains as an outcome of the business relationship. Furthermore, impulses may be interpreted differently by the actors. Ambiguous situations lack clarity or consistency in reality, causality or intentionality. An impulse may be so complicated that no single actor can have a total and correct picture of either the actors involved or the final outcome. (Hedaa and Törnroos, 1997)

## 2.5. Adaptation process

The various types of impulses may have different influence over the adaptation process. ***The aim of this section*** is to find concepts and create classifications that will enable the analysis of how adaptations progress and spread in triadic relationship settings, i.e. the focus is on the second research question: *How do adaptations spread over time in a triadic business relationship setting?*

I will evaluate the process with the help of the content, nature, and the progression of adaptations. *Content* refers to *what is adapted*. *The scale of adaptations, and their reciprocity*, describes the *nature* of adaptations. *Progression of adaptation* clarifies *how adaptations proceed, its phases and spread*.

### 2.5.1. Content of adaptation

To be able to follow the adaptation process, it is necessary to know *what is adapted*, i.e. *what is the content of adaptation*. Håkansson (1982) provided the first taxonomy of the contents of adaptation. It consists of product specification, product design, manufacturing processes, planning, delivery procedures, stockholding, administrative procedures, and financial procedures. Brennan et al. (2003) added to this classification the provision of unusually detailed or sensitive information and changing organisation structure. Other classifications are more general, including products, processes, and procedures (Cannon and Perreault, 1999).

Earlier in this thesis (see section 2.3.4), I defined adaptation as adjustments in actors, resources and activities. I will base my classification of adaptations into these three categories, according to the following criteria:

- Actors as a content of adaptation refers to actors as firms, thus, *adaptations in actors* imply adaptations in the organisational structures of the firm, and in their roles.
- *Adaptations in resources* imply human and physical investments, and adaptations in human interaction.
- *Adaptations in activities* denote adaptations in products and services, production and service processes, and in strategies.

Different studies denote that one classification system can be equally well applied to adaptations of supplier and customer organisations (see e.g. Brennan et al., 2003; Schmidt et al., 2007). Thus, one classification is applied in this study as well. Actor, resource and activity adaptations are discussed in the following. Table 4 provides a synthesis of adaptation contents discovered in previous research.

#### 2.5.1.1. *Adaptation in actors*

Adaptations in organisational structures of the firms (Brennan et al., 2003; Schmidt et al., 2007) may be, for example, site-specific investments are adaptations where an agency may have to follow an important client abroad in order to serve the client's international needs better. Furthermore, adaptations in roles of the actors are found to be important, and specifically in the service sector. (Halinen, 1997)

Relationships are built between boundary spanning individuals on both sides of the exchange. These individuals are most aware of the needs of the other party, and it is important that they are empowered to build the relationship. This may require adaptation in organisational structures to facilitate an increased role for boundary spanning staff in the central decision-making process. (Knoppen and Christiansee, 2007; Tyler, Stanley and Brady, 2006)

#### 2.5.1.2. *Adaptation in resources*

Resource adaptation implies technical, behavioural and knowledge dimensions. The *technical dimension* implies explicit and visible relationship features, which may be intentionally decided upon and designed by both partners. The *behavioural dimension* embraces the more implicit and invisible relationship attributes related to the interactions between the actors. (Knoppen and Christiaanse, 2007) The *knowledge dimension* deals with information exchange and learning, which are essential elements in adaptation (cf. Brennan and Turnbull, 1999; Brennan et al., 2003; Schmidt et al., 2007). Adaptations are often connected with people in day-to-day operations. Individual adaptation, i.e. learning by doing is a significant form of adaptation (Halinen, 1997).

Adaptations in *human resources* imply generally personnel, additional interfirm contacts, and physical investments. They may take the appearance of, for example, a common relationship history including established patterns of behaviour, common values, and good knowledge of the partner firm (Halinen, 1997). Schmidt et al. (2007) discovered that adaptations to personnel and human resources were made only after a firm has already made other adaptations, including logistics and products/production. They call these adaptations “secondary adaptations”, which are dependent on existing adaptations.

**Table 4** A synthesis of the contents of customer – supplier adaptation in previous research.

<i>Content</i>	<i>Researchers</i>
<b><i>Adaptations in actors</i></b>	
Site-specific investment	Halinen, 1994
Organisational structures	Brennan et al., 2003; Schmidt et al., 2007
Interfirm roles and positions	Halinen, 1994
<b><i>Adaptations in resources</i></b>	
Information exchange Technology	Brennan et al., 2003; Brennan and Turnbull, 1999; Holmlund and Kock, 1995; Schmidt et al., 2007
Learning and building knowledge Attitudes	Halinen, 1994
Personnel	Cannon et al., 2000; Schmidt et al., 2007
Additional interorganisational contact	Brennan and Turnbull, 1999; Halinen, 1994
<b><i>Adaptations in activities</i></b>	
Product, product design, product specification, product features, planning	Turnbull and Valla, 1986; Hallén et al., 1991; 1993; Brennan et al., 2003; Håkansson ,1982; Cannon et al. ,2000; Hagberg-Andersson, 2006; Schmidt et al.,2007; McLoughlin and Horan, 2000
Packaging forms	Jahre and Fabbe-Costes, 2003
Production processes	Hallén et al., 1991; 1993; Holmlund and Kock,1995; Brennan et al., 2003; Schmidt et al., 2007
Production scheduling	Brennan et al., 2003; Schmidt et al., 2007
Manufacturing process	Håkansson, 1982; Turnbull and Valla, 1986; Hagberg-Andersson, 2006
Investment in manufacturing equipment	Brennan and Turnbull, 1999
Delivery procedures	Håkansson, 1982; Turnbull and Valla, 1986; Brennan et al., 2003
Stocks, stockholding and delivery	Brennan et al., 2003; Håkansson, 1982; Turnbull and Valla, 1986; Hallén et al., 1991; 1993; Schmidt et al., 2007
Inventory and distribution	Turnbull and Valla, 1986
Marketing	Cannon et al., 2000; Holmlund and Kock, 1995
Assignment processes	Cannon et al., 2000
Administrative procedures	Halinen, 1994
Financial procedures, contractual terms and conditions	Håkansson, 1982; Holmlund and Kock, 1995
Capital equipment and tools	Brennan et al., 2003; Schmidt et al., 2007
Payment terms	Cannon et al., 2000; Turnbull and Valla, 1986; Halinen, 1994; Holmlund and Kock ,1995

### 2.5.1.3. *Adaptation in activities*

Adaptation in products and production processes is regularly mentioned in adaptation research, specifically customisation of products, e.g. the supplier produces according to the customer's specific demands. It may imply product specification and design, the different dimensions of the product, materials, qualities, and other aspects of a product (e.g. Håkansson, 1982; Turnbull and Valla, 1986; Hallén et al., 1991; 1993; Cannon et al., 2000; Brennan et al., 2003; Hagberg-Andersson, 2006; Schmidt et al., 2007).

The supplier may also adapt production processes by purchasing new equipment, using just-in-time logistic systems, applying planning procedures, like for example stock level, and adopting various routines to meet the demands of a specific customer. Respectively, the customer may adapt products, processes, and procedures to the capabilities of a specific supplier (e.g. Håkansson, 1982; Turnbull and Valla, 1986; Hallén et al., 1991; 1993; Holmlund and Kock, 1995; Brennan and Turnbull, 1999; Brennan et al., 2003; Hagberg-Andersson, 2006; Schmidt et al., 2007).

As stated earlier, *prior adaptation research is mainly conducted in the manufacturing industry*, thus, the examples above do not relate to services. Halinen's (1997) research concerns services, even though adaptation is not its focus. She states that physical investments are likely to be small-scale or even non-existent in service relationships compared to investments in production technology often required in the manufacturing industry. An example from advertising services shows that resources used in adaptations are typically intangible rather than physical or economic, with direct cost implications for the organisation concerned. Furthermore, the execution of assignment processes requires adaptations, for example, because of changes in time schedules, personnel, intra-group networks of the companies, and in market conditions. In professional services, the importance of adaptations in co-operating firms' and their employees' roles and positions is noteworthy (ibid.). As stated earlier, services are processes developed in co-operation. Thus, adaptations in services concern activity chains within each of the three firms.

## 2.5.2. The nature of adaptations

Adaptations may possess different characters in a triadic relationship setting. In this section, I will address the *scale and formality of adaptations*, and the *reciprocity of adaptations*. *The scale and formality of adaptations denotes the balance of how much the actors perceive they give to the relationship in terms of adaptations, and reciprocity describes their mutuality and voluntariness.*

### 2.5.2.1. *Adaptation scale and formality*

Adaptations that occur *in organisations* (intrafirm, or internal adaptations), and *in interactions between them* (interfirm adaptations, or dyadic adaptations) are those that arise in the interactions between co-operating firms. The adaptation process generally starts with intrafirm adaptations. These internal processes may vary in scale and formality, depending on how much a firm gives to the relationship in terms of

adaptations. *The scale and formality of intrafirm adaptation may be evaluated in proportion to the involvement and influence of different managerial levels and departments taking part in the adaptation process.* (Brennan and Turnbull, 1999)

Interfirm and intrafirm adaptation are intertwined and accumulated processes, i.e. interfirm adaptations enhance intrafirm adaptations, and vice versa (Brennan and Turnbull, 1996). Although this research focuses on adaptations between organisations, it is essential to understand intrafirm adaptations. Brennan and Turnbull (1996; 1999) distinguish four different intrafirm adaptation processes with different scales and formality: *investment process, political decision-making process, socialisation process, and evolutionary process*. Political and investment processes may be regarded as formal and planned adaptations, whereas socialisation and evolutionary processes imply informal and unplanned adaptations. (ibid.)

Adaptation as an *investment process* includes large scale *strategic adaptations*. They are usually carefully planned, involving physical assets. Strategic adaptations are formal decision making processes, usually at a top management level. A wide range of departments for purposes of data gathering and analysis are involved, for example marketing, purchasing, engineering, quality, production, operations, finance, and legal affairs. The alternatives are identified, a scheme of estimations and calculations are done, leading to a decision of whether or not to implement a specific adaptation. (Brennan and Turnbull, 1996).

Adaptation as a *political process* involves *tactical adaptations* that are relatively minor. However, they are planned and organised adaptations. Adaptations are made typically at a senior level or functional management level. A limited number of departments are involved, depending on the area to which the decision belongs. (Brennan and Turnbull, 1996)

*The socialisation process* is the process of learning how to interact with the business partners. It refers to minor unplanned *ad hoc adaptations* at different decision-making levels, most generally at the operating manager level in a large company. In a small company, the given adaptation may be more important than in a large one. The adaptations involve normally only the department actually implementing the adaptation. (Brennan and Turnbull, 1999) Socialisation processes strengthen social bonds between the employees (see section 2.1).

Evolution is a commonly used metaphor of major unplanned and informal adaptation processes. They may imply *tacit adaptations*, which emerge as the accumulation of small changes creating large-scale adaptation (Brennan and Turnbull, 1999). Adaptation is thus seen as an *evolutionary process* in which multiply undefined departments are involved. In general, most of the change that occurs in an industrial network may be considered evolutionary in nature. (Håkansson and Snehota, 1995b; Halinen et al., 1999; Havila and Salmi, 2000)

Intrafirm adaptations may not have the same importance for all the actors, and the scale of adaptation is not comparable between two organisations, and even less in a triadic relationship setting. Furthermore, there may also be differences in the perceptions of the

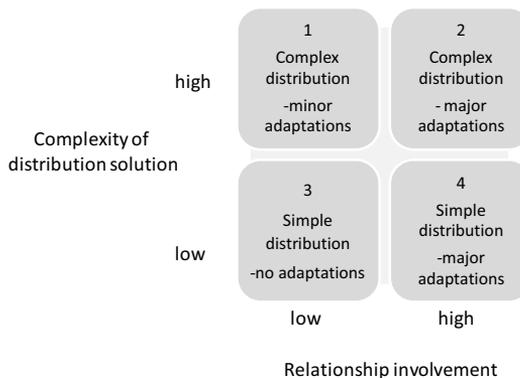
scale of adaptations. Brennan et al. (2003) noticed that one's own organisation is generally perceived to adapt more than the counterpart does.

### ***Distribution complexity***

Buyer organisations have different requirements when it comes to solutions of their distribution problems, and scale and formality in adaptations required from their partners vary. Some buyer organisations may prefer advanced and costly distribution arrangements to improve their performance in other respects. These arrangements usually require adaptations, which are possible to implement in long-term relationships. Others prefer less advanced and less costly solutions, relying on transactional exchange. Thus, the important characteristics of a distribution relationship are the level of involvement in the relationship, and the complexity of the distribution solution applied. (Ford et al., 2003)

Four combinations of relationships with different levels of involvement and distribution complexity are illustrated in Figure 15. In *cell number one*, the distribution solution is complex, but not adapted to the specific problems of the buyer organisation. Instead, the users themselves are willing to adapt their own systems to fit with the solutions of the suppliers, because the cost of doing so is less than the perceived benefits. The services are advanced and costly, but they pay off through improvements in the client's internal operations. For example, the internet provides cost-efficient solutions with certain benefits. (Ford et al., 2003)

Relationships belonging to *cell number two* require remarkable adaptations. The distribution arrangements are complex. In travel management, this kind of distribution is generally arranged with the help of a business travel agency. For the relationship to be successful there has to be substantial co-ordination of activities and communication on both sides, and extensive investments and adaptations. This increases the level of involvement in the relationships. (Ford et al., 2003) The travel management process itself provides an example of a complex distribution arrangement where the buyer organisation's, supplier's and business travel agency's resources are integrated.



**Figure 15 Four distribution types. Source: Ford, Gadde, Håkansson and Snehota, 2003: 128.**

*Cell number three* represents low-cost distribution arrangements. This type of relationship is appropriate for users that do not gain any advantage from a more advanced distribution solution, or an arrangement that is adapted to their specific situation. These organisations are not interested in high involvement, because they would be too costly. Instead, they appreciate the benefits of a simple and standardized solution, which provides opportunities to switch suppliers without difficulties. (Ford et al., 2003) In business travel markets, internet travel agencies and low-cost carriers provide possibilities for simple distribution without adaptations. The relationship will continue as long as the distribution is adequate to the buyer organisation's needs.

Also relationships in *cell number four* consist of low complexity distribution arrangements. However, the distribution arrangements are adapted to the specific requirements of the buyer organisation and the relationship is a high-involvement relationship. For example, simple travel bookings may be arranged with adapted self-booking systems that are integrated in the buyer organisation's data applications. Even though the distribution itself is simple, the implementation of the booking system and the data integration may require major adaptations. The buyer organisation usually reduces the number of suppliers and increases the responsibilities of the remaining ones. Adaptations are carried out, either by the buying organisation, distributor, or service supplier, and it is likely that the client stays in this relationship rather than starts shopping around. (Ford et al., 2003)

#### 2.5.2.2. *Reciprocity of adaptations*

Give to the one who gives, but do not give to the one who does not give. (Works and Days: 354<sup>18</sup>)

In social psychology, reciprocity refers to responding to a positive act with another positive act, or acting in response to a negative act with a negative one. In evolutionary biology, reciprocity refers to mechanisms whereby the evolution of cooperative or altruistic behaviour may be favoured by the likelihood of future mutual interactions. *In my study, reciprocity refers to the mutuality and the voluntariness of adaptations.*

Prior research discusses unilateral and reciprocal, or mutual adaptation. In *unilateral adaptation*, the firm implements a specific modification for an exchange partner without any mutual modification by that partner. Unilateral adaptation is claimed to be a response to asymmetric resource dependence. (Hallén et al., 1991; Hertz, 1994; Brennan et al., 2003) In a dyad, *reciprocal adaptation* concerns both actors adapting reciprocally to each other. Havila (1993) argues that the extent of reciprocal adaptation is related to the number of alternatives to do business with. Gadde and Håkansson (1993) conclude that adaptations are in direct proportion to the differences that exist between the counterparts. Furthermore, the mutuality of the adaptation and framing decision are seldom symmetrical. The more powerful actors are able to "frame" decisions by which the restriction and opportunities of their exchange partners are shaped (Grabher, 1993: 11).

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<sup>18</sup> Greek poem written by Hesiod around 700 BC.

Because there is no prior research on adaptation between three actors, there are no words to describe all its nuances. Therefore, I will use the term “*threefold adaptation*”<sup>19</sup> to describe adaptation where all three actors adapt to each other to benefit common goals. Thus, in a triad, a firm can adapt unilaterally towards one or two actors, or there may be reciprocal adaptations in dyads, or adaptations may be threefold. The *power and dependence*, and the *roles, and the role expectations* in a triadic relationship setting may have an impact on how, and by whom adaptations are initiated, and whether they are reciprocal and voluntary.

### ***Power and dependence***

*Power plays an important role in adaptation* (Hallén et al., 1991; Brennan and Turnbull, 1999), both as a causal factor, and as an antecedent to adaptation (see section 2.3.3). In B2B relationships, the concept of power has received contrasting treatment, meanwhile concepts such as trust, commitment, co-operation and mutuality are generally viewed as positive relational factors (Hingley, 2005a; 2005b). There are researchers claiming that power imbalance negates co-operation (Doney and Cannon, 1997), or hinders sustainable relationships (Gummesson, 1999).

However, a contradictory view comes from several researchers (e.g. Blois, 1997; Svensson, 2001). In a market model, power is regarded as a kind of market imperfection, whereas the network model views power as a necessary ingredient in exploiting activity interdependencies (Håkansson and Johanson, 1993: 48). Building lasting, meaningful and workable relationships where power imbalance and power-dependence are present is relevant, for example, in supply chain relationships (Hingley, 2005b). Balance of power is quite an unrealistic state in dyadic relationships, and even more unrealistic in triads:

There is one, and only one, kind of social situation in which the power of opposing groups is completely balanced. The numbers of each ‘side’ are equal, their social organisation is identical, and their resources are as nearly the same as possible. (Bierstedt, 1950: 738)

A triadic relationship setting is never stable in the way that there would be a perfect balance between all the three dyads (Phillips Carson et al., 1997; Gutek et al., 2002). In a relationship setting with a buyer, intermediary, and supplier, the intermediary may even be excluded (Havila and Sandström, 1993). However, the development of a relationship is never determined unilaterally, even in the situation where one of the parties is overwhelmingly powerful or committed. None of the actors is assumed to have an absolute control over the relationship, as the power relationships may change over time. (Holmlund and Törnroos, 1997; Håkansson and Ford, 2002: 135; Andersson Cederholm and Gyimothy, 2005)

*The nature of adaptations depends on power distribution, the use of power, and the history and relational norms of the relationships.* The more powerful actor may, for some reason, hold back using its power. Furthermore, the perceptions of power are likely to be unclear in the early stages of a relationship, and they can change over time. (Håkansson, 1982; Smith and Laage-Hellman, 1992, Wilkinson, 1996) A power holder's

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<sup>19</sup> “Threefold” means being three times as great or as many (<http://mw1.merriam-webster.com/>, accessed 19.7.2009)

perception of its own power determines the use of power. Generally, a firm will use more of its power, the more it perceives it has power. (Wilkinson, 1996)

*In the social exchange theory*, power is regarded as reciprocal to *dependency*. According to Cook (1987: 101):

If two persons are unequally dependent on one another for valued outcomes, the less dependent person has a power advantage over the other, and the relation is said to be power imbalanced. Power imbalance is predicted to lead to an imbalance in exchange, with the more dependent person giving more than he or she receives.

The power model has been elaborated and generalised to the organisational level *in the resource-dependence theory*. The main argument of the theory is that organisations use relationships in order to gain access to resources that are essential to their existence, and that they do not possess themselves. This makes organisations interdependent, and reduces an organisation's control over its own actions. (Pfeffer, 1982)

In triadic relationship settings, power distribution in the form of coalitions has been studied in sociology. A significant feature of the triad is its tendency to divide into coalition of two actors against one (Caplow, 1959). Thus, two actors may force adaptations to the third actor. The formation of coalitions is based on the following assumptions. (1) The members of the triadic relationship setting may differ in strength. A stronger member can control a weaker member. (2) The actors seek control over the others. They prefer control over two other to control over one. (3) The strength of a coalition is equal to the strength of its two members.

Interdependence is stated to facilitate co-operation in triadic business relationships (Holma, Björk and Virtanen, 2009). It is important for relationship development that the actors have significant and "*roughly the same dependence upon the relationship*" (Anderson and Narus, 1990: 101). A balanced situation would be a harmonious state, where the actors feel like being in a situation where they fit together without stress (Heider, 1958). In terms of balance theory<sup>20</sup>, the attraction among the three actors persuades a number of unit relations, such as similarity of goals, similar expectations of quality, and desire to maintain future contact (Phillips Carson et al., 1997). Balanced relationships would remain as they are until new influences come along and upset the balance; meanwhile relationships that are not in balance are continuously being forced toward change (Newcomb, 1965: 129; Eiser, 1986) and adaptations.

### ***Roles and role expectations***

Besides power and dependence, *the roles of the actors, and the expectations they have towards each other's roles*, may have an impact on the nature of adaptations. In a triadic relationship setting, the role of each of the three actors is related to the other two actors, and the actors have expectations regarding each other's adaptive behaviour. Roles are formed in interaction processes as a result of the parties' perceptions of their roles, and their expectations and intentions concerning them. Furthermore, the actors' actual

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<sup>20</sup> A motivational theory of attitude change. The theory applies to cases where individuals see all three relationships of a triad as interdependent and relevant to each other. Each of the two relationships between each dyad can consist of positive or negative attitudes (e.g. likes/dislikes, approves/disapproves).

behaviour is both based on their roles, and forming their roles. (Halinen, 1997: 223) Roles are argued to be the key mechanisms for creating a network organisation design (Grandori and Soda, 1995).

The intermediary is usually expected to have a general role between the buyer and the seller (Alderson, 1957; Stern and El-Ansary, 1992). Thus, it may be expected to adapt to both of them. The supplier is expected to adapt to the buyer's needs. Thus the majority of the adaptations are sought after by buyer organisations, and they primarily benefit them, also when the suppliers introduce the adaptations (Brennan et al., 2003). However, Havila (1993) argues that if there is a direct contact between the supplier and the customer, the role of the intermediary is not solely that of a mediating agent. In triadic business relationships, the intermediary's role is defined rather from its role performance than from its position between the two other actors. In a triad, each of the three actors has expectations towards two of the other actors, which may, or may not coincide with each other, and with the role of which they have expectations (ibid.).

### ***Coerced and voluntary adaptations***

Depending on the power distribution and dependency, and on the roles and role expectations, adaptations may be unilateral, mutual, or threefold. Power distribution and the roles may also have an impact on the voluntariness of adaptations.

Adaptations are *coerced* when the less powerful actor (or actors) has to adapt to the stronger actor (Hallén et al., 1991). An example of a coerced adaptation may be if the buyer takes advantage of its power to enforce adaptation (Brennan and Turnbull, 1999). In a triad, adaptation may be coerced by a coalition of two actors against one (cf. Caplow, 1959). Coercive bases of power may decrease the level of co-operation and increase the level of tension and conflict in a relationship (Jonsson and Zinelding, 2003), which may complicate adaptations.

The more powerful actor may also restrain using its power, i.e. power may be non-coercive, and adaptations are made *voluntarily*. Non-coercive basis of power may increase the value of the relationship through team support and common interest. Voluntary adaptations may also promote collective goals. (Jonsson and Zinelding, 2003) In situations where high involvement might lead to enhanced performance, the potential pressure residing in power must be applied in other forms, for example as a means to establish shared norms and expectations, and to use power in a constructive way (Gadde, 2004).

Adaptations may be voluntary because they offer new possibilities to develop relationships. They may promote and facilitate the partners to reach the goals for their co-operation, or their individual objectives. They may occur, for example, in order to facilitate buyer-seller collaboration (Halinen, 1994; Brennan and Turnbull, 1995; Van der Valk, Wynstra and Axelsson, 2008). Adaptations are found to be useful to make better use of the resources tied to the relationships, and to reduce the costs of doing business (Brennan and Canning, 2002).

### 2.5.3. Progression of adaptations

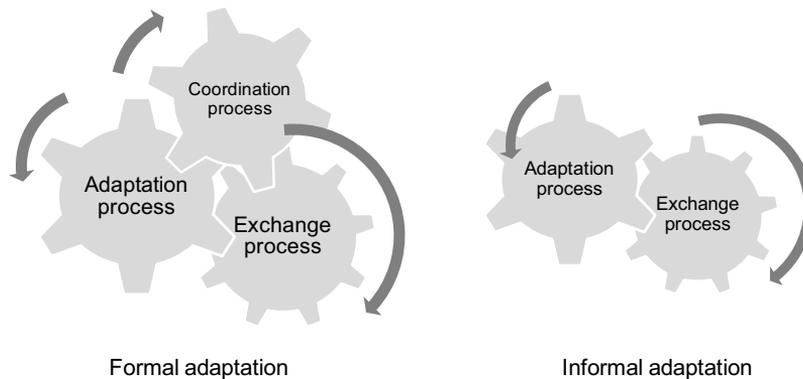
The progression of adaptation clarifies how adaptations occur. *It will be described with the help of the phases of adaptation, and the ways of how adaptations spread in a triadic relationship setting.*

One way of seeing relationship development, is to investigate it as two separate, but very closely related processes: *exchange processes and adaptation processes* (Håkansson, 1982; Hållén et al., 1991). The relationship begins with exchange processes (see Figure 16), where single exchanges are important parts of a process in which the actors progressively build up mutual trust in each other, and test how well they fit together (Håkansson, 1982; Dwyer et al., 1987; Hallén et al., 1991; Eiriz and Wilson, 2006). These exchange processes, where two or more individuals are responding to each other in relatively continuing ways, are also adaptation processes (Johansson and Mattsson, 1987; Hallén et al., 1991).

It has been argued that the more extensive the exchange process between the firms, the stronger will be the reasons to make adaptations. An intensive business service exchange, i.e. exchange of services for money, requires much social exchange, and it encourages adaptation. (Johanson and Mattsson, 1987) In a dynamic setting, exchange and adaptation will be difficult to separate from one another. Adaptations emerge from normal interaction patterns between firms and the process of adaptation may be difficult to distinguish from established interaction behaviour (Johansson and Mattsson, 1987; Hallén et al., 1991).

If the interaction leads to some business, it will be necessary to *coordinate* the activities of the partners (Halinen, 1994), and to add one more dimension, coordination, between exchange process and adaptation process (see Figure 16). Adaptations are then planned, and they may take the form of an investment process, or a political process (Brennan and Turnbull, 1996; see also section 2.5.2.1). In coordination processes, firms harmonise their actions in order to achieve the expected benefits before the actual adaptation process. An intensive business service exchange with much social exchange requires generally extensive coordination efforts. (Halinen, 1994) In the coordination process, the actors agree on the nature of the adaptation, and the contribution of the actors to facilitate the adaptation (Canning and Hanmer-Lloyd, 2002). This coordination, to a large extent, defines the nature of the relationship (Johanson and Mattsson, 1987: 38; Hallén, et al., 1991; Ford et al., 2003).

Coordination implies costs for both parties, and limits their freedom to coordinate with others (Ford et al., 2003). For example, when distribution arrangements have other characteristics than traditional channels (for example a network), the activity interdependence increases, and it requires more activity coordination (Gadde, 2004).



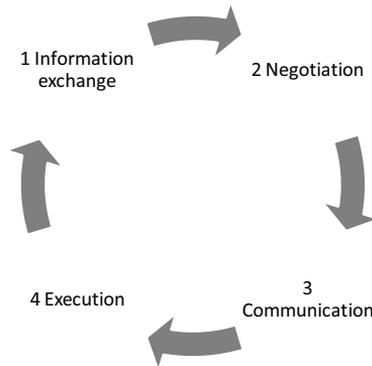
**Figure 16 Formal and informal adaptations.**

In a dyad, the actors may have reciprocal exchange with each other. In a triadic relationship setting, there may be need for more coordination simply because there are three actors involved. The need for coordination may also vary depending on the type of triad, i.e. whether the triad is a unitary or a serial triad (cf. Havila, 1996). Gadde (2004: 171) argues that the relationship atmosphere in distribution context has become more co-operative in the control dimension than it used to be in the regime of traditional channels.

#### 2.5.3.1. *Adaptation phases*

The advancement of an adaptation process in dyadic relationships has been described as a coordinated effort between information exchange, negotiation, commitment, and execution phases (see Figure 17) (Brennan and Canning, 2002; Canning and Hanmer-Lloyd, 2002). In this process, adaptations are preceded by (1) *information exchange* involving interpersonal contacts with negotiations to plan, and to agree upon the adaptations. The first phase is to establish mutual interest in the adaptation, where one, or both of the parties identify an adaptation that is of potential benefit. Interactions, for example meetings and phone calls, will occur between the partners to establish the salience of the proposed adaptation. The account managers on the supplier's side, and purchasing managers on the buyer's side will be primarily involved in these interactions. (Brennan and Canning, 2002)

(2) The negotiation phase involves *familiarisation* with the proposed adaptation amongst other interested parties. Once the interest has been generated, and the support of the key actors has been obtained, the next steps are *developing common understanding* on the precise nature of the problem and the *agreement on the adaptations*. (Brennan and Canning, 2002) In the (3) communication phase, *resources available to each other are identified*. Interpersonal contacts involve bargaining and *negotiating the adaptations* and the activities to be carried out by the actors. Finally, in the (4) execution phase, there is a *commitment* to act, which leads to the investment of resources, and a formal or informal agreement for commitment. (Brennan and Canning, 2002)



**Figure 17 Adaptation phases. Source: Brennan and Canning, 2002.**

In summary, this process describes adaptation in a dyadic relationship. In a triad, the process is probably more complicated and requires more coordination. The process model also assumes that adaptation planned, leaving out unplanned adaptations. The phases of *unplanned* adaptation are difficult to trace due to their evolving nature. In a triadic relationship setting, adaptation may also be *coerced* by an actor, or by a coalition of two actors. Furthermore, the model does not explain how adaptations spread on to incorporate all three actors.

#### 2.5.3.2. *The spread of adaptation in triadic relationship settings*

*The spread of adaptation describes the ways of how adaptations extend to incorporate the entire triadic relationship setting. It is based on who is, or who initiate them. The processes described above provide no tools to analyse the spread of adaptation in triadic relationship settings. Thus, the spread of adaptation may be regarded as the fifth phase, after the information exchange, negotiation, communication and execution phases.*

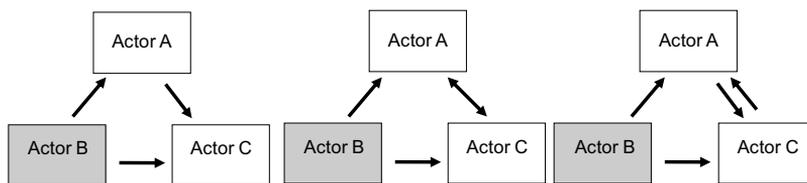
Adaptation is closely related to change, and a triadic relationship setting is a small network. Therefore, I will apply concepts related to research on change in business networks. This is a topic that has been studied by Halinen et al. (1999), and Havila and Salmi (2000). They paid particular emphasis to the impact a change in a dyad may have on other connected relationships. Halinen et al. (1999) and Havila and Salmi (2000) suggest that part of a change always remains within a business-relationship dyad, while some part of a change may also affect other relationships and actors in the network. They call the former change mechanism confined change and the latter one connected change.

*Confined change* implies a seemingly stable situation in a network. It remains within a dyad without affecting the other actors in the network. This kind of confined change may be for example change in the number of persons involved, or the deepening or weakening of trust in the relationship. However, as I am interested in the spread of adaptation, the concept of connected change is more relevant in my research context. *Connected change* in a network is “a change in one relationship that is received and acted upon by other actors in the network” (Halinen et al., 1999: 782). Halinen et al.

(1999), emphasise the importance of dyadic relationships both as receivers and as transmitters of change. Actors are able to reproduce, adapt, absorb or transmit the change to other relationships (Easton and Lundgren, 1992: 102-103). In the same way, adaptations may be received and responded to by the other actors in the network. Adaptations may extend from one actor to the other actors or from one dyadic relationship to the other connected relationships. In a triadic relationship setting, this may occur in three different ways. I have classified the ways according to who is, or who are, the initiators of adaptation. I will call the three ways connected, derived, and agreed adaptations.

### *Connected adaptation*

Any one of the three actors in the business triad may initiate connected adaptation. The two remaining respond to it. This may occur in three different ways as is illustrated in Figure 18, where the shaded box denotes the initiator. The arrows describe the direction to which the adaptations spread.



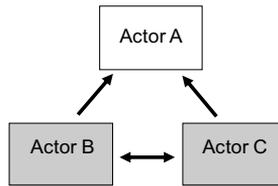
**Figure 18 Connected adaptation.**

- First, the initiator is actor B, requiring adaptations from actors A and C. Actor A is responding, and actor C is adapting to the adaptations made by actors A and B.
- Second, adaptation is initiated by actor B and actors A and C react in co-operation, i.e. make adaptations in co-operation.
- Third, actor B is the initiator, and actors A and C react in turn.

The first situation is similar to a triadic relationship setting with indirect connections between the actors, meanwhile the second and the third situation are different in that they have direct connection between the actors.

### *Derived adaptation*

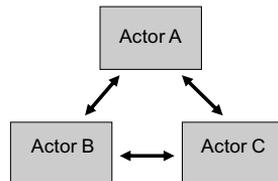
Derived adaptation refers to a process where adaptation is initiated in one of the dyadic relationships. The adaptation is responded to and acted upon by the third actor, denoting direct connections between the actors, as is illustrated in Figure 19, where the shaded boxes denote the initiators, and the arrows describe the direction of the spread of adaptations.



**Figure 19 Derived adaptation.**

### *Agreed adaptation*

The third way is agreed adaptation, as illustrated in Figure 20. Agreed adaptations are planned and implemented in co-operation with all three actors, where all the actors are directly connected to each other. All three actors are active participants of the relationship, and adaptations may be initiated by any one of them.



**Figure 20 Agreed adaptation.**

## **2.6. Adaptation outcomes**

In a triadic relationship setting, the fact that more than two parties are involved in a relationship increases the complexity, and the probability that changes will take place, because a business triad is never stable (cf. Havila, 1996). Change may be discussed in terms of outcome factors, i.e. adaptation can lead to change, which affects the specific parties or the process as such (Möller and Wilson, 1995: 32). The structure of the triadic relationship setting, and the nature of its relationships may change.

*The aim of this section is to conceptualise the adaptation outcomes. Thus, the focus is on the third research question: How do adaptations change the structure of a triadic business relationship setting, and the nature of its relationships? I will evaluate the outcomes of adaptation on three different levels: outcomes for individual actors (actor outcomes), outcomes for the dyads (dyad outcomes), and outcomes for the triadic relationship settings (triad outcomes).*

### 2.6.1. Actor outcomes

It is important to understand the adaptation outcomes at the *actor level*, i.e. for the firms. This is because each of them has, besides a common goal for their co-operation, their own goals for profitability. They have also different roles in the triadic relationship setting. Due to their different roles, these goals may be conflicting, i.e. an adaptation that is favourable to one actor may be disadvantageous for its counterpart.

As defined earlier in this thesis (see section 2.3.4), adaptation occurs in the three elements of the ARA model, i.e. in actors, resources and activities. The adaptations may have a *positive or negative impact* on the individual actors. *Positive outcomes* may help the firm to reach its goals, and *negative outcomes* may restrain it. Sometimes, positive and negative outcomes may be the opposite poles of the same adaptation dimension. Furthermore, outcomes of a specific adaptation may be positive for one actor, and negative for the other.

#### 2.6.1.1. *Positive outcomes*

A remarkable positive outcome of adaptation has consequences *for the long-term competitiveness* of the firm. Adaptation is suggested to appear as a major driver for the supplier's direct *value creation*, meaning that suppliers may get fast returns on their adaptation investments (Walter and Ritter, 2003). Successful adaptation improves the firms' economic efficiency by enhancing savings in time and money, and thus contributes to its survival and development (Hallén et al., 1991; McLoughlin and Horan, 2000; Hagberg-Anderson, 2006). For example, a firm may be forced by a customer to introduce quality management, which in turn leads to better competitiveness in other customer relationships. Thus, adaptation may be a *source of innovation* in process development (Håkansson, 1982).

From the supplier's perspective, given the better fit between a supplier's offering and the client's needs, it may be expected that the client will purchase higher volumes from that specific supplier. Furthermore, as the supplier has expressed willingness through adaptations, the customer might feel obliged to buy from the supplier also in hard times. (Håkansson, 1982; Brennan and Turnbull, 1999; Canning and Brennan, 2004)

Adaptation may evolve into regular business practices with all customers, which may subsequently lower the costs of a relationship specific adaptation. For example, in the 1970s, some suppliers developed electronic data interchange (EDI) as a relationship-specific adaptation for particular customers. In due course, these procedures became more standardised and were offered to many customers, which lowered the cost to implement the procedure and the related price. (Cannon and Homburg, 2001)

Adaptation usually leads to an expanse in *information exchange* (Cunning and Hanmer-Lloyd, 2002), and more intense contact patterns between the firms (Seyed-Mohammed and Wilson, 1989), enhancing interorganisational learning. Mutual knowledge is an important aspect, referring to knowledge which the parties have about each other, and upon which they communicate with each other. Mutual knowledge may refer to resources, strategies, needs, and capabilities of the parties and their relationships with the other firms. It is knowledge that is based on personal experience, and takes time to develop. (Johanson and Mattsson, 1987; Cannon et al., 2000)

Furthermore, a demonstrated willingness to make adaptations sends important signals to partners about the commitment and trust which exists in the relationship (McLoughlin and Horan, 2000). Adaptations *strengthen the relationships* and make them more manageable, and more active. This implies that disagreements have to be handled within the framework of the relationships, and the actors have to learn conflict-resolution

methods. (Håkansson, 1982; Brennan and Turnbull, 1999; Canning and Brennan, 2004) As a result of the processes of adaptation, discrepancies emerging in the course of the exchange relationships are resolved within the relationship rather than by reorganising relationships (Grabher, 1993).

#### 2.6.1.2. *Negative outcomes*

Adaptations are not always successful, it is possible for an adaptation to be poorly selected, and become more of a *dysfunction* than a positive adaptation over time. (Håkansson, 1982; Hallén et al.1991; Brennan and Turnbull 1999; Canning and Brennan 2004). Furthermore, there are limits to adaptation, implying, for example, preventing one's own identity. Adaptations may over a period of time lead to the emergence of a process of *institutionalisation* in the relationship, i.e. certain activities and processes become routine and are carried out without a thought being given to the need for them, or the reason why they are carried out. Institutionalisation may lead to *lack of innovation*, because of the routine activities and processes. Furthermore, the business partners may become doubtful of the co-operating actor's objectivity. It may also be argued that clients in long-term relationships come too close to each other so that their thoughts are too similar, and have thus less value to add. (Pillai and Sharma, 2003)

Buying organisations may also bargain away the premium prices a supplier must initially charge for adapted services and products. Fundamentally, the costs of adaptation may be shifted to suppliers. At a more general level, buyers may compensate suppliers through long-term commitments and promises of higher sales volume, an arrangement that typically involves lower prices over time. (Cannon and Homburg, 2001) *Adaptations increase interdependency*, which may also be a burden to one or all of the co-operating firms. For the buyer, it is more difficult to use alternative sources, because switching costs arise (Erbismann, Kock and Strandvik, 1998). Interdependency may lead to an *asymmetrical relationship*.

#### 2.6.2. Dyad outcomes

A specific adaptation may have an impact on the dyadic relationship development<sup>21</sup>. As an outcome of adaptation, actor bonds, activity links and resource ties between the actors may strengthen or weaken, i.e. the ways in which the activities and activity chains are performed, and the way the resources are allocated may change. Dyads are the receivers and transmitters of change in a business network (Halinen et al., 1999). Thus, changes in the triadic relationship settings cannot be analysed without taking into consideration what happens in the dyadic relationships.

Adaptations occur in interactions, and adaptations may be compared to interaction episodes as defined by Schurr (2007). He discusses interaction episodes that are engines of change, or motors that engage the energy of a relationship. Interaction episodes can

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<sup>21</sup> The concept of development is in the current study used as a neutral concept, i.e. it refers to the development of interfirm relationships and their ups and downs, not only to the progressive development. (cf. Halinen, 1994; Tähtinen, 2002)

be generative or degenerative, i.e. they may have a positive or negative impact on the relationship development.

#### 2.6.2.1. *Generative and degenerative development*

*Adaptations may lead to generative development when actor bonds, resource ties, and activity links between two actors become stronger.* It means, for example, increased co-operation, increased trust, more mutual benefits, and mutual understanding. (cf. Schurr, 2007). *Degenerative development takes place when actor bonds, resource ties, and activity links become weaker,* meaning consequently decreasing co-operation, decreasing trust, decreasing understanding and joint benefits.

Stronger relationships may be considered equal to closer relationships. Establishing close or even intimate relationships is frequently emphasised both in the interaction and network approach, and in the service and relationship management approach (Ford, 1980; Nielson, 1998). Håkansson (1982) refers to the fundamental role of closeness in the relationships' overall atmosphere as one of the main features of the relationship. Measures of closeness are often either directly or indirectly associated with trust and commitment (Morgan and Hunt, 1994; Nielson, 1998).

#### 2.6.2.2. *Relationship ending and unchanged relationships*

Dyad outcomes may not be merely generative or degenerative. Even though there would be changes in actor bonds, resource ties and activity links between the firms, the relationship may remain *unchanged*. Due to unsuccessful adaptation, an interfirm relationship may also *end*, or *dissolute*<sup>22</sup>, when the actor bonds, resource ties and activity links cease to exist in organisational level. However, prior research has discovered a “relationship energy” that remains, specifically in the social bonds that have been created between the individuals, even though the organisational bonds would break. Havila and Wilkinson (2002) propose a new principle of the “conservation of relationship energy” which states that the relationship energy cannot be destroyed, and that it can only be transformed and transferred to other relationships, where it manifests itself in different ways. Relationship energy provides opportunities for the same relationship to be reactivated at a later time, and helps or hinders the configuration and maintenance of other relationships as this energy moves with people to other organisations and contexts. (ibid.) Dyad outcomes are illustrated in the Table 5.

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<sup>22</sup> Halinen and Tähtinen (2002) suggest that different terms should be used when referring to different kinds of endings. They propose ending to be a general term, and dissolution refers to naturally ending relationships.

**Table 5 Dyad outcomes.**

<b>Generative dyad outcomes</b>	<b>Degenerative dyad outcomes</b>	<b>Ending</b>	<b>Unchanged</b>
Stronger actor bonds, resource ties and activity links.	Weaker actor bonds, resource ties and activity links.	Actor bonds, resource ties and activity links end at the organisational level.	No change in actor bonds, resource ties and activity links.

### 2.6.3. Triad outcomes

Triadic relationship setting as an entity can be analysed based on its dyadic relationships. Adaptation outcomes for dyads may be generative or degenerative. However, defining triad outcomes as generative or degenerative would be too simplistic. Generative development in the triad would mean stronger actor bonds, resource ties, and activity links *between all the three actors*. Thus, there would be increased co-operation, increased trust, more mutual benefits, and mutual understanding (cf. Schurr, 2007) *between all three actors*.

However, as stated earlier, a triad is less stable than a dyad, and the balance of power is very unlikely to be equal between all three actors. Thus, there are alternative ways in the progression of adaptations. There is also more variety in adaptation outcomes than in dyad outcomes. For example, even though adaptation outcomes in one of the dyads may be generative, the development in the third dyad may be degenerative. Therefore, I will base the investigation of the triad outcomes on *changes in the nature of its dyadic relationships*. In order to be able to do that, we need to go back to the different triad types presented in section 2.2.4, i.e. unitary triad, serial triad, and bridge triad. I will borrow the concepts of structure-reinforcing and structure-loosening change from the study of Madhavan, Koka and Prescott (1998), who used the concepts when investigating how the structure of interfirm relationship networks changes over time and in response to specific industry events. Thus, triad outcomes are here conceptualised to be *structure-reinforcing* and *structure-loosening*. A triad may also change to a new triad, to a dyad, or it may end. As triads are less stable than dyads, it is unlikely that a triadic relationship setting would remain completely unchanged if adaptations occur in the dyadic relationships.

#### 2.6.3.1. *Structure-reinforcing and structure-loosening development*

*Structure reinforcing outcomes* denote development towards a more co-operative triad. Thus, these outcomes may imply

- change from a bridge triad to a serial triad,
- change from a bridge triad a unitary triad, or
- change from a serial triad to a unitary triad.

Furthermore, a unitary triad may also change from a “less unitary triad” to a “more unitary triad” (Havila, 1996).

*Structure-loosening outcomes* denote the opposite to structure-reinforcing outcomes, i.e. the actors may become less co-operative. Thus, it may imply

- change from a unitary triad to a bridge triad,
- change from a serial triad to a bridge triad, or
- change from a unitary triad to a serial triad.

#### 2.6.3.2. *A new triad, a dyad, and ending of relationships*

To end a triadic relationship setting is not as easy as to end a dyadic relationship. In a dyad, when one of the actors leaves, the dyad ceases to exist. In a triad, there are more variations (Havila, 1996). First, even though one of the parties leaves the triad, the relationship may continue to function as *a dyad* when two of the actors continue their co-operation. For the actor that is left out of the triad, the change may be radical. In service delivery, the intermediary has usually a general role in linking consumption and production of the service. Consequently, if the link is not needed any more, the two remaining participants are naturally the customer and the supplier.

Second, if one of the actors (or two of them) is replaced by a new one, the relationship may turn to *a new triad*. There is still a triadic relationship setting, but new activity links, new resource ties and actor bonds are created. Third, the *triad may cease to exist*. Here the dyadic relationships at the organisational level end. They may either dissolve naturally, or end due to an unexpected event (cf. episodic triads and continuous triads). (Havila, 1996; Giller and Matear, 2001). Each of the parties may continue to function independently, depicting the termination of the triadic relationship setting, and a radical change for all the three actors. Just like in dyads, the relationship energy (see section 2.6.2.3) may remain within the actors (Havila and Wilkinson, 2002). In fact, it is even more expected, because there are more actors involved in the triads. Table 6 summarises the triad outcomes.

**Table 6** Triad outcomes.

<b>Structure reinforcing</b>	<b>Structure loosening</b>	<b>New triad</b>	<b>Dyad</b>	<b>Ending</b>
More co-operative	Less co-operative	An actor is changed	An actor is eliminated	Triad ends at organisational level
- from bridge to serial triad	- from unitary to bridge triad			
-from bridge to unitary triad	- from serial to bridge triad			
- from serial to unitary triad	- from unitary to serial triad			
-from a less unitary to a more unitary triad				

### 2.6.3.3. *Barriers to change*

Structural change in a network has typically been regarded as an evolutionary process. The focus has often been on change through gradual and incremental steps as network actors interact and adapt to one another (cf. Håkansson and Snehota, 1995b; Halinen et al., 1999; Havila and Salmi, 2000). Håkansson and Henders (1995: 147) argue that a total revolution in terms of network change in all actors, activities and resources can never take place. Any revolution will only directly involve a few of the dimensions of the network (ibid.).

*The punctuated equilibrium model* offers a lens through which theorists can make discoveries about how organisations, managers, work groups, and industries both develop over time and react to changes in their environment (Gersick, 1991). This model has been used in the studies of business network dynamics for example by Salmi (1995), Halinen et al., (1999), and Havila and Salmi (2000). The model was developed by Tushman and Romanelli (1985). They argue that organisations progress through convergent periods, which are punctuated (interrupted) by reorientations. Gersick (1991: 10) proposes three main components for the punctuated equilibrium paradigm: *deep structure, equilibrium periods, and revolutionary periods*.

*Deep structure* refers to the fundamental structures, i.e. the basic construction of the network, which concerns the choices the actors have made regarding to whom they are connected and with whom they co-operate (Gersick, 1991). It includes the actor bonds, resource ties and activity links the actors have built between each other over time (Halinen et al., 1999). Gersick (1991: 16) compares the deep structure to the design of the playing field and the rules of the game.

During the periods of stability (*equilibrium*), the basic activity patterns remain the same, and only incremental changes may occur. If the deep structure describes the playing field and the rules, then the equilibrium periods may be compared to a game in play. (Gersick, 1991) In the network context, the actor bonds, resource ties and activity links between the different actors are stable, but their nature may change.

The network approach emphasises the combination of change and the overall stability of the relationships. In addition to change, there is the tendency towards stability. For example, relationships will often have to be built with similar companies to those in the firm's current relationship portfolio. Furthermore, change may imply new ways of working with existing business partners. (Ritter and Ford, 2004)

*Inertia* leads to stability in the relationships. It refers to the tendency to maintain the deep structure of the network. As long as the deep structure is unbroken, it generates a strong inertia, first to prevent the system from generating alternatives outside its own boundaries, then to pull back to the line any deviations that occur. Inertia manifests the various interdependencies between companies, which keep the actors together, allowing only incremental change and adjustments to occur. (Gersick, 1991)

The barriers to radical change in human systems are cognition, motivation, and obligation. The *cognitive frameworks* and the thoroughness shape human awareness, and phenomena, “*that will not fit in the box are often not seen at all*” (Kuhn, 1970: 24). The *motivational barriers* to change imply uncertainty and the fear of failure that go together with the anticipation of terminating a life structure and trying to define a new one (Levinson, 1978). Even if a system overcomes its own cognitive and motivational barriers against realising a need for change, the networks of interdependent resource relationships and value commitments generated by its structure often prevent the ability to change, referring to *obligation* (Tuschman and Romanelli, 1985: 177).

However, discontinuities and revolutionary change can also happen in business networks. The need to understand change processes is critical today, when the economic, technological, social and political environment constantly faces alterations (Zineldin, 2000). The punctuated equilibrium model suggests that the longer periods of stability are interrupted (punctuated) by unexpected and *revolutionary periods* (Gersick, 1991: 20), which force the deep structures of actor bonds, resource ties, and activity links to alter fundamentally. According to Gersick (1991: 33), critical events should be seen as impulses that set the stage for radical change (see also Havila and Salmi, 2000). This might lead to dissolution of the relationships, or the emergency of new actors in the network. Revolutionary periods usually involve uncertainty and discomfort for the individual actors in the network. (Halinen et al., 1999)

Returning to Gersick’s (1991) playing field metaphor, the difference between the incremental changes of equilibrium periods and revolutionary changes is like the difference between changing the game of basketball by moving the hoops higher (incremental change) or by taking the hoops away (radical change). The first kind of a change leaves the game’s deep structure unbroken, and the second takes it apart (ibid.).

## **2.7. Summary of the initiation, the process and the outcomes of adaptation in triadic business relationship settings**

In this section, I will summarise the theoretical discussion of adaptation initiation, the process of adaptation, and the outcomes of the process. *Table 7 illustrates the concepts discussed above, and their definitions, and builds a new framework to analyse adaptations in triadic relationship settings.* In line with the systematic combining approach (see section 1.7, and for a more profound description of systematic combining in section 3.1), I have integrated the theories with the empirical analysis. Thus, the framework is a result of matching the theoretical world and the empirical world (Dubois and Gadde, 2002: 554).

### ***Initiating adaptations***

By discussing adaptation initiation, I seek tools to analyse how adaptations begin. I will pay attention to impulse sources and impulse types. *Impulse sources depict from where the impulses to adaptation emerge. Impulse types are either endogenous or exogenous.* There are four impulse sources for adaptation:

- the *actors* (firms),
- the three *dyadic relationships* they build,
- the *primary network*, i.e. the industry in which the triad belongs to, and
- the *macro network*, i.e. the overall network in which the industry specific network is embedded.

The individual actors, and the dyads represent endogenous impulses, and the primary network and the macro network represent exogenous impulses.

### ***Adaptation process***

Adaptation process describes *how* adaptations progress and spread to cover the entire triadic relationship setting. I will describe it with the content, nature, and the progression of adaptations.

- **The content** of adaptation denotes what is adapted, referring to the *actors*, and their *resources and activities*.
- **The nature** of the process indicates the characteristic of adaptations, i.e. the scale and formality of adaptations, and their reciprocity and voluntariness.
  - *The scale of adaptation*, may be defined according to the key actors' involvement in the process, and the number of organisational units participating in them (Brennan and Turnbull, 1999):
    - *Investment and evolutionary* adaptation processes are large-scale processes involving a great number of actors in the organisation.
    - *Political and socialization* processes are of minor scale.
  - *The reciprocity* describes whether adaptations are unilateral, mutual, or “threefold”, and if they are coerced or voluntary.
    - In *unilateral adaptation*, the firm implements a specific modification for an exchange partner without any mutual modification by that partner.
    - *Mutual adaptation* is reciprocal adaptation between two actors.
    - In *threefold adaptation* all the three actors implement adaptations towards each other to benefit common goals of the triadic relationship setting.
    - *Coerced* adaptations are forced by one actor, or by a coalition of two actors against one.
    - *Voluntary* adaptations are initiated by one, or by two of the actors without any coercion.
- **Adaptation process** progresses in four *phases*,
  - *information exchange, negotiation, communication, and execution phases*.

- A fifth phase describes how adaptations *spreads* to concern the entire triadic relationship setting. It may occur in three different ways.
  - *Connected adaptation* is initiated by one of the actors.
  - *Derived adaptation* is initiated by a dyad.
  - *Agreed adaptation* is agreed upon in co-operation between the three actors.

### ***Adaptation outcomes***

The adaptation outcomes are investigated in three different levels:

- Actor outcomes may be *positive or negative*.
- Dyad outcomes may be
  - *generative*, meaning stronger actor bonds, resource ties, and activity links between two actors, or
  - *degenerative*, denoting weaker actor bonds, resource ties, and activity links.
  - *the relationship may also end, or remain unaltered*
- Triad outcomes may be
  - *structure-reinforcing*: more co-operative triad,
  - *structure-loosening*: less co-operative triad,
  - *change to a dyad*, when one of the actors is eliminated from the triad,
  - *change to a new triad*, when one, or two of the actors are changed.
  - *end*, i.e. the actor bonds, activity links and resource end at the organisational level.

**Table 7 A framework to analyse adaptation in triadic business relationship settings.**

<b>Initiating</b> <i>How adaptations initiate in a triadic business relationship setting?</i>	<b>Process</b> <i>How do adaptations spread over time in a triadic business relationship setting?</i>	<b>Outcomes</b> <i>How do adaptations change the structure of a triadic business relationship setting and the nature of its relationships?</i>
<i>Impulse types</i>	<i>Content of adaptations</i>	<i>Actor outcomes</i>
- Endogenous	- Actor	- Positive
- Exogenous	- Resource	- Negative
	- Activity	
<i>Impulse sources</i>	<i>Nature of adaptations</i>	<i>Dyad outcomes</i>
- Actor	Reciprocity	- Generative
- Dyad	- Unilateral	- Degenerative
- Primary network	- Mutual	- Ending
- Macro network	- Threefold	- Unaltered
	- Coerced	<i>Triad outcomes</i>
	- Voluntary	- Structure-reinforcing
	Scale of adaptations	- Structure- loosening
	- Investment	- Dyad
	- Political	- New triad
	- Socialisation	- Ending
	- Evolutionary	
	<i>Progression</i>	
	Phases	
	- Information exchange	
	- Negotiation	
	- Communication	
	- Execution	
	Spread	
	- Connected	
	- Derived	
	- Agreed	

This conceptualisation, and the framework presented above, will be used to analyse adaptations in triadic business relationship settings in the corporate travel management. The aim of this study is to build a comprehensive framework. Therefore, all the components of the framework will be applied to the empirical context. The results will be presented in Chapter 4. Before the analysis, I will explicate the research design and methodology.

### 3 RESEARCH DESIGN AND METHODOLOGY

In the introduction of this thesis (see section 1.7), I explained the scientific philosophy on which the knowledge creation of my thesis is based, i.e. *realist ontology*. *Epistemologically*, I rely on constructionist processes and interpretation in knowledge creation. I use case studies with in-depth interviews as a main source of data, i.e. I interpret my informants' perceptions to understand the reality.

In this chapter, I will describe the methodology and the research design, i.e. the procedures of data collection and interpretation I went through in order to find answers to my research questions. In the first section, I will explain the systematic combining approach, which is the method I am using to build the theory. In the second section, I will discuss the processual perspective, which I am applying to catch the past, present, and future of the concept of adaptation. In the third section, I will explain the details of the research setting, i.e. the units of analysis, and the research perspective. I will also clarify how I selected the case, and how I gained access to the data. The fourth section deals with the interview process. In section five the hermeneutical research cycle will be explained. Finally, section six describes how I analysed the data and drew the conclusions I came to.

#### 3.1. Systematic combining

Pure induction might prevent the researcher from benefiting from the existent theory, just as pure deduction might prevent the development of new and useful theory. (Perry, 1998: 789)

My research is characterised by *systematic combining* (Dubois and Gadde, 2002), which is based on the logic of abductive research. Systematic combining is a combination of deduction and induction, but it gets closer to an inductive than deductive approach. It is similar to grounded theory (Glaser and Strauss, 1967), where theory is systematically generated from data (Dubois and Gadde, 2002). However, the evolving framework is typical to the systematic combining approach (Dubois and Gadde, 2002). The main characteristic of systematic combining is “*a continuous movement between an empirical world and model world*” (Dubois and Gadde, 2002: 554). Thus, while in the grounded theory, the theoretical framework is missing entirely, in systematic combining the theoretical framework, empirical fieldwork, and case analysis advance simultaneously (Turnbull, 2002).

#### 3.2. Processual approach

I will apply the *processual perspective* (cf. Dawson, 1997) to adaptation. The processual perspective addresses the question of how change occurs, i.e. the nature, sequence, and order of events and activities that unfold over time (Halinen, 1996). The other alternatives would have been the *input-output models*, which have their focus on the antecedents and consequences of development, or *models using change perspective*. They concentrate on the development process in terms of the change in the number of specific variables over time, for example, the changes in exchange volumes. These

models usually only allow us to see if a change has happened, not how it happened. (Halinen, 1996)

The basic idea of processual research is that organisations may be researched as a continuing system with a past, a present and a future. Adaptation is a dynamic phenomenon, which is time and context specific. In accordance with the interactive view, the actions of a single company are based on,

its interpretation of the previous actions of specific others and on its anticipation of the possible re-actions and re-re-actions of those specific others in the future. (Ford and Håkansson, 2006: 4)

The contextual setting and the timing of the adaptation are important, because of the continuous changes as well in the organisational and relational conditions (Jahre and Fabbe-Costes, 2005). A successful adaptation in the present moment may not be relevant at other times, or in other contexts (Halinen, 1994).

The processual perspective has been used for example by Ford (1980). He analyses the development by considering the following variables in the five stages of the relationship: experience, uncertainty, distance, commitment, and adaptation. In the service sector, the processual perspective is used by Halinen (1994), who conducted a longitudinal study in the professional services. The study of Dwyer et al. (1987) applies also a processual perspective, and describes relationship development as a process of deepening dependence.

Van de Ven and Poole (1995) provide a typology of four generic but distinct developmental theories: life cycle, teleology, evolution, and dialectic theories. These four theories may be classified along two dimensions; the unit of change, and the mode of change (see Figure 21). *The unit of change* portrays whether the process focuses (1) on the development to a *single organisational entity*, or (2) on interactions between *two or more entities*. Life-cycle and teleological theories represent the former view, and evolutionary and dialectical theories stand for the latter one. (Weick and Quinn, 1999)

Mode of change Unit of change	Deterministic	Constructed
Single entity	Life-cycle	Teleology
Two or more entities	Evolutionary	Dialectical

**Figure 21** A typology of the process theories. Source: Van de Ven and Poole, 1995.

*The mode of change* depicts whether (1) the sequence of change events is *predetermined by deterministic laws* and produce first-order change, or (2) whether the sequence is *constructed*, and emerges as the process unfolds, generating novel second-order change. The former mode is present in the life-cycle and evolutionary theories, and the latter mode in the dialectical and teleological theories. (Weick and Quinn, 1999)

In buyer-seller relationships, life cycle and evolutionary theories are the most often utilized. In practical research, several process theories are typically applied simultaneously and together to establish understanding for the process in focus. (Halinen, 1996) Halinen (2007, lecture) advises using a combination of two of these theories. Brennan and Canning (2002) suggest that a teleology process would be the most suitable for the development of a model of adaptation, because it is based on the assumption that the developing entity is purposeful and adaptive.

The theories of change that I use to understand how the adaptation process unfolds in relationships are *evolutionary and dialectical theory*. In my study, the unit of change is constructed and emergent. Furthermore, it implies more than two entities, i.e. if we see the company as a collection of heterogeneous individuals, dialectical theory serves as a motor of change. Evolutionary models apply the processual meaning of development and aim at capturing the content of the relationship in dynamic concepts (Halinen and Törnroos, 1995).

### ***Dialectical approaches***

Dialectical theory explains stability and change by the relative balance of power between opposing forces (Van de Ven, 1992). According to the dialectical vision, “*the world is a unity of opposites*” (Das and Teng, 2000: 84). It predicts the collision of coexisting but contradictory social forces that produce a new social order (de Rond and Bouchikhi, 2004). Some contradictions are generated within the organisation. They are growing out of the divisions, control structures, and other separation points in the organisation. Contradictions may also be generated in wider society and enforced upon the organisation. (Benson, 1977)

Opposing forces can consist of tensions endogenous and exogenous to the relationship. Opposing forces, i.e. relational forces that are interdependent and mutually negating are inherent in all social relationships. Tensions occur when the forces are out of balance. Furthermore, the specific issues addressed and activities performed depend on timing and context. Relationships survive by managing the dominant force at the given point of time. Change is a function of adaptation to these opposing forces. Consistent with the dialectical orientation is the need for constant adaptation in relationships. (Montgomery, 1998; Bantham, Celuch and Kasouf, 2003; Johnston, Robinson and Hausman, 2006)

For example Johnston et al. (2006) apply the dialectical view to relationship development. They use the extended marriage metaphor<sup>23</sup>, which highlights the complex juggling act that accompanies maintenance of network relationships. This metaphor includes the constancy of change, changes in the actors as they leave and enter the network, changes in the power held by a firm, changes in culture, and many other changes that require evolution and restructuring of relationships and key processes. Furthermore, individuals in the firms may change their relative positions. According to the dialectic view, firms may also simultaneously occupy several potentially conflicting roles across specific dyads within the network. Consequently,

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<sup>23</sup> The marriage metaphor is used by several researchers to describe interfirm relationship development, for example Zineldin (2002); Kanter (1994); Dwyer et al. (1987).

firms must adapt to different ways of interacting with each firm in the network. (Johnston et al., 2006)

### ***Evolutionary approaches***

The emphasis of evolutionary approaches is on the environment as a trigger of change, preserving only those entities that best fit its evolving nature. They consider change deterministic and subject to minor influences by individuals. These approaches have a generative mechanism of competitive selection and resource scarcity (Weick and Quinn, 1999). There are several variations of evolution theories, for example punctuated equilibrium (see section 2.6.3.3), Darwinian, and Lamarckian evolution models.

Evolutionary models apply the processual meaning of development and try to capture the content of the relationship in dynamic concepts: to the past, present, and future (Halinen and Törnroos, 1995). There is no absolute time dimension. The development of relationships is viewed in relation to the processes occurring in relationships and the events in the context of relationships, not only in relation to the passage of time. (Halinen, 1996)

### **3.3. The research setting**

The business travel industry offers the topical context for my research. The triadic relationship setting I am studying is embedded in an industry that is highly network-bounded (see section 2.1.1). The triadic relationship setting consists of an industrial enterprise, business travel agency, and service supplier. They are the actors who during the investigated period actively relate to each other through business, social and technological exchange (cf. Halinen and Törnroos, 2005: 1288).

Drawing the boundary round the focal triadic relationship setting narrows the scope, but it allows a deeper analysis (Halinen and Törnroos, 2005). From a network perspective, when a small unit of analysis is chosen, there is a loss in connectedness, which is essential in business networks. However, a large single network causes difficulties in access. (Easton, 1995; Halinen and Törnroos, 2005) Focusing on something “small” in its wider context is a theoretically relevant and empirically helpful way of drawing a boundary around the case and developing the analysis (Dubois and Araujo, 2004: 218). A triadic relationship setting as such is an important, relationship formation, as Section 2.2 reveals. Furthermore, the business travel industry is featured by triadic relationship settings, and a constant need for adaptations.

*The empirical case study in my thesis is about how the actors in the triadic relationship settings adapt towards each other.* I have taken one of the actors, the industrial enterprise, as a starting point when selecting the triadic relationship settings. This is a natural choice, because the service the relationships are established for is *the industrial enterprise's* business travel management process<sup>24</sup>, and it is the industrial enterprise that chooses the partners with whom to co-operate.

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<sup>24</sup> The travel management process will be discussed more in detail in section 4.1.1.

When examining triadic relationship settings and their relationships, we have to become aware of the fact that the dyadic relationships in triads develop at different speeds for different motivations, needs and strategic reasons (cf. Keyton, 2000). The actors of the triad may also change. One remarkable change happened during the research process when a new one replaced one of the actors. I had a unique opportunity to include both these actors in my empirical research.

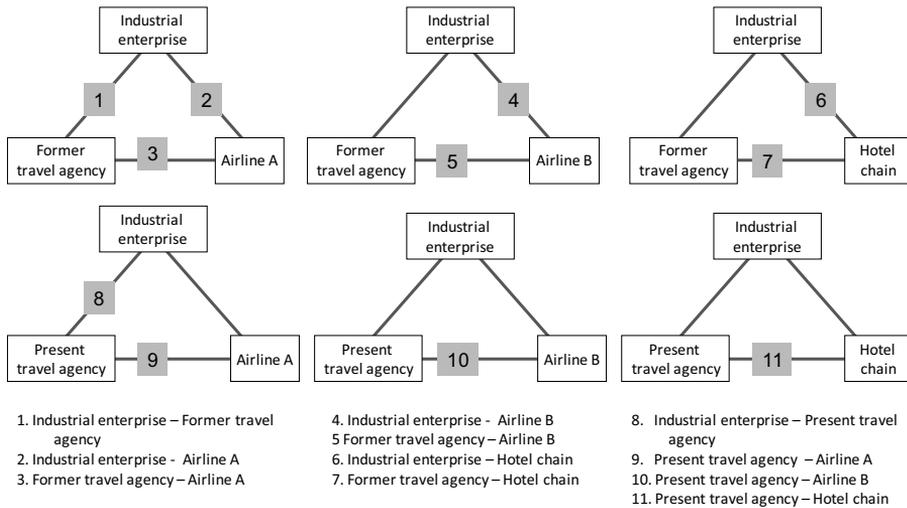
I also had the opportunity to study specific interconnected relationships in triadic relationship settings. Generally, it is not easy to collect data from the actual buyer, seller, and intermediary counterparts to specific relationships because of the opaque nature of the business relationships (see e.g. Trimarchi and Tamaschke, 2004: 341). Håkansson (1982) also noticed that trying to do it might lead to resistance from firms, because it could interfere with their business with each other.

### 3.3.1. Units of analysis and the research perspective

Several researchers argue that the unit of analysis is equivalent with the case (e.g. Patton, 1990; Miles and Huberman, 1994; Yin, 2003). However, for example Grünbaum (2007) pays attention to the conceptual separation of the case from the unit of analysis. The unit of analysis constitutes the micro level, and the case constitutes something that is closely and logically connected with the unit of analysis. The unit of analysis must in any research always be identified, as this process will strengthen the purpose of the study (Grünbaum, 2007: 88). In the current study, I apply the embedded single case design (cf. Perry, 2001: 307; Grünbaum, 2007: 87), where *I examine several units of analysis in one case, i.e. I examine 6 business triads, and 11 dyadic relationships “inside” the triadic relationship settings.*

In other words, there are six triadic relationship settings, in which 11 dyadic relationships are embedded (see Figure 22). These dyadic relationships are directly connected to the industrial enterprise’s travel management process. In Figure 22, the numbers 1-11 denote the dyadic relationships. The two business travel agencies are participants in the triadic relationship settings at different points of time, thus the relationship between them is not included in the analysis. Furthermore, because I investigate the travel management process from the industrial enterprise’s perspective, I have excluded the dyadic relationships between the three service suppliers from the analysis.

In the analysis, the firms are treated as a “public” phenomenon, not as a “private” role, i.e. a role exists together with a position (Linton, 1936; Merton, 1957). If the firm leaves the position, the role remains, and another firm can learn to perform the role (cf. Havila, 1993).



**Figure 22 The units of analysis: the six core triadic relationship settings and the 11 core dyads.**

I am applying a *triadic approach* to investigate the core relationships (see section 2.2.2), i.e. *I investigate each of the three dyadic relationships of a business triad in the context of the other two dyadic relationships to which it is connected, and from both ends.* The triadic approach is inspired by the *micronet approach* suggested by Halinen and Törnroos (1998). However, my perspective is limited to examining the relationships from “inside” the triadic relationship setting. The perspective is similar to “a net within a network” perspective (Halinen, lecture 14.6.2007). The other perspectives Halinen and Törnroos (1998) offer are the actor-network perspective, where a business network is viewed from a certain actor’s viewpoint, the dyad-network perspective, which observes the core dyad as a part of a wider industrial network. In the prior research with business triads, the perspectives have most often been the actor-network perspective, or the dyad-network perspective.

### 3.3.2. Selecting the cases and access to data

When selecting the cases, I applied *purposive sampling*, where I chose information-rich cases, which are appropriate for an in-depth study. Purposive sampling implies several different strategies. My sampling strategy comes close to *intensity sampling*, which involves collecting information-rich cases that are excellent or rich examples of the phenomenon of interest, but not unusual or extreme cases (cf. extreme or deviant case sampling; Lincoln and Guba, 1985; Patton, 1990).

When searching for suitable cases, the first organisation I consulted was the Finnish Business Travel Association (FBTA). I discussed with the executive director of the association, who was convinced that my topic is extremely relevant and actually happening, and she helped me to find the case firms. I took the buyer organisation as a starting point. I chose a firm where the buyer has enough business travel to maintain relationships with its main suppliers. Furthermore, a company with a person responsible for the travel management function was essential in order to gain access.

*Access* refers to the opportunities available to find empirical data. It implies getting close to the object of study, and being able to really find out what happens (Gummeson, 2000). My working experience in the business travel industry, and the relationships I established during those years helped me to gain access to the case companies and their informants. Gummeson (2000: 32) discusses different dimensions of access: *physical access*, which is a basic condition for research. Furthermore, *continued access* is important. *Mental access* refers to how to understand what is actually happening in the setting, how to get people to describe it, how to observe, or how to experience it through the researcher's own involvement. My background and preunderstanding (see section 1.7.2) guaranteed all these dimensions of access. Cooperation with the FBTA gave me access to specific information of the business travel industry by opening their membership data bank, and their seminars to me.

The executive director of the FBTA acted as the gatekeeper to the industry, and the corporate buyer informant was the key informant (cf. Patton, 1990: 263), i.e. a particularly knowledgeable informant. She acted as a "gate opener" that paved the way to the other informants. She suggested the informants I could interview, and from her own initiative, she made contact with them, recommending to them that they should cooperate with me. After her generous help, it was easy for me to make contact with the informants to make appointments. None of the contacted persons refused being interviewed.

My informants view the focal phenomenon from different perspectives (cf. Eisenhardt and Graebner, 2007). They are high knowledgeable informants from different organisations and from different hierarchical levels. Traditionally, in business relationship studies, CEOs and top management informants are used. However, including informants that are involved in daily contact with the other companies provides insights into the short-time interactive processes and their outcomes (Holmlund, 2004).

I interviewed 2 – 3 informants from the buyer firm and from the business travel agencies<sup>25</sup>. Many empirical studies on interfirm relationships rely on data collected from one informant at each of the participating organisations, even though interfirm relationships involve active participation of several individuals within each partner organisation. However, the organisations may have contradictory objectives and individuals may have varying perceptions of the role and performance of the relationship. (Palakshappa and Gordon, 2006: 391) Therefore, it is important to include several individuals from an organisation in the study. Each of the three service supplier organisations, the two airline companies and the hotel chain, is represented by one informant. The reason for this is that these individuals are the main, and practically the only contacts to the buyer organisation, according to the travel manager.

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<sup>25</sup> The informants, and the firms they represent, will be presented in Chapter 4.2.

### 3.4. Interview process

I collected empirical data with the help of the *critical interview technique*<sup>26</sup> (Chell, 2004), i.e. I conducted interviews where I asked the informants to express specific events that had initiated adaptations in the focal business triad. The aim of the technique is to capture the thought process, the frame of reference, and the feelings about a happening that has meaning to the respondent. Chell (2004) defines the critical interview technique in the following way:

The critical interview technique is a qualitative interview procedure, which facilitates the investigation of significant occurrences (events, incidents, processes or issues), identified by the respondent, the way they are managed, and the outcomes in terms of perceived effects. The objective is to gain an understanding of the incident from the perspective of the individual, taking into account cognitive, affective and behavioural elements. (Chell, 2004: 48)

The qualitative interview is an exclusively sensitive and powerful method for capturing the experiences and lived meanings of the informants' everyday world. Interviews allow the informants to express to others their own perspective in their own words (Kvale, 1996: 70). An advantage of the critical interview technique is that the linkage between *context, strategy and outcomes* is more readily teased out because the technique is focused on an event, which is explained in relation to what happened, why it happened, how it was handled, and what the consequences were. Phenomenology presupposes the uniqueness of individual consciousness. Interpretivism CIT enables the researcher to gain insights both into particular cases and across a sample of cases. (Chell, 2004)

I tape-recorded the interviews, and transcribed them myself word by word. The transcribing was time consuming, but it was a very important phase of my analysis. While transcribing and rewinding the tape, I had time to listen very carefully to what the informants said, and in what tone of voice. Furthermore, doing the transcriptions after each interview brought forward insights for the following one.

Ten interviews were conducted in April, May, June and August 2005 with two informants from the industrial enterprise, five informants from two different business travel agencies, and three informants from three different service supplier organisations (See Appendix 3 for the list of interviews). Two different airlines companies and a hotel chain were chosen to represent service suppliers. These specific suppliers were chosen because in general more than 50 % of a company's travel budget consists of flight tickets, accommodation costs being generally the second largest travel related cost. Two different business travel agencies took part in the research, one of them being the industrial enterprise's new partner, and the other one the former partner, with which the relationship ended not long before the interviews. All the informants have more than 10 years of experience in the business travel industry.

The first interview with the key informant was more conversational and open-ended than the other ones, because I wanted to maintain maximum flexibility, and to be highly responsive. The key informant produced a lot of information that I added to my

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<sup>26</sup> Bases on Flanagan (1954), but assuming a phenomenological approach in contrast to the more positivistic approach that was dominant in Flanagan's time (Chell, 2004).

interview guide to be discussed in the following interviews. The interviews lasted from 1 to 2.5 hours, the first one being the longest, indicating its conversational nature.

The purpose of interviewing is to see the research topic from the perspective of the interviewee, and to understand how and why they have this particular perspective (King, 2004). The quality of the information obtained during the interview is largely dependent on the interviewer (Patton, 1990: 279). As Gummesson (2005) states, data is often created in interaction, for example with a respondent in the interview situation. It is usually best to open up the interview with a question that the informant can answer easily. More difficult and sensitive questions should be posed later when both the interviewer and the informant feel relaxed and have had the possibility to get to know each other a little bit first. (King, 2004: 17)

I started my interviews, or rather discussions, by giving the informant the opportunity to describe his/her own career in the business travel industry. Thereafter, I led the discussion to the relationships in the focal business triad. I prepared some probe questions in case the informant would not raise them first (cf. Perry, 1998: 792). The critical interview technique, unlike the unstructured interview, enables the researcher to probe appropriately, by asking, for example, what happened next, why it happened, how it happened, and what the consequences were (Chell, 2004: 49).

Chell (2004) suggests using a visual aid to get informants to think about the sequence of events that have emerged over time. The visual aid helps to focus the interview, exercise the memory, and enables the researcher to get a sense of the nature and chronology of the events. When beginning the interview, I gave each of the informants two empty diagrams with two axes (see Figure 23). The informants were advised to visualise the development of the two interfirm relationships in which they were involved. On the time axis, the informants illustrated the events, and on the vertical axis, the consequences of the event in terms of closeness and distance to the relationship. Figure 23 gives an example of the visual aid used in my interviews. In the horizontal axis, I have marked the events that the informant mentioned. In the vertical axis, the informant illustrated the consequences of the event regarding the strength of the relationships (Figure 23 illustrates an example of the visual aid, not results of the study).

The informants memorised the events in their own terms allowing them to determine which of them are the most relevant<sup>27</sup>. They were mainly describing the same events, coloured with their own perspectives and experiences. Some of the informants chose to tell a chronological story (as I had expected), starting from the early 1980s, and ending up forecasting the future trends. However, some of the informants worked backwards, marking events along the length of the axis, some of them remembered the events out of order. The illustrations helped me to structure the interviews, and to trace the events and their consequences.

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<sup>27</sup> See Appendix 4 for the coding of the events. In the analysis, I will call these events adaptation impulses, as explained in section 4.3.

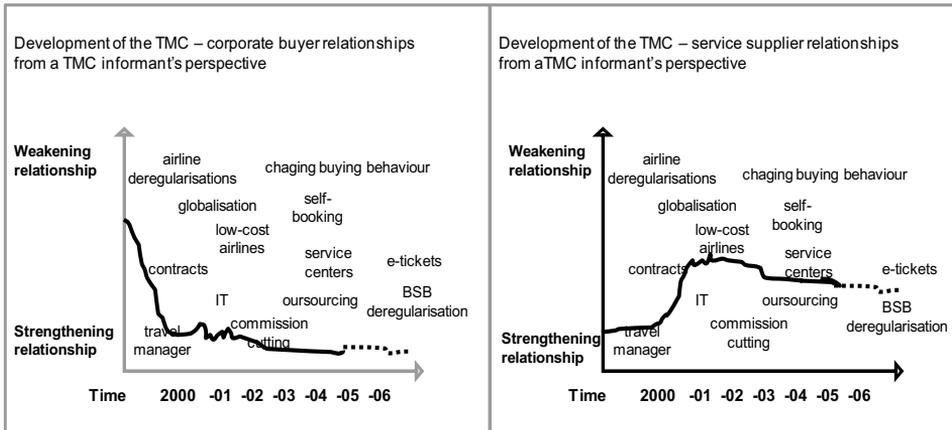


Figure 23 An example of the visual aid used in the interviews.

A good interview lays open thoughts, feelings, and experience not only to the interviewer, but also to the informant. It is a reflective process, which affects both the interviewer and the informant. Patton (1990: 354) argues that a good interview leaves the informants knowing things about themselves that they did not know, or that they were not aware of before the interview. Interviews allow reciprocity from a time perspective concerning the interview process providing time for interviewees to engage with another person. This opportunity would perhaps not have occurred otherwise. (Jennings, 2005: 108)

According to Patton's criteria, I am convinced that my interviews were successful. When I expressed my gratitude to the informants for giving me their time for the purposes of my research, they all said that they had enjoyed reflecting on their professional career, and "how the times have changed from the good old days". They referred to today's busy business life, where you neither have time to memorise the past, nor think about today, but you have to be busy planning the future strategies. The informants had all been involved in the travel industry for a long time, and they were happy for the attention I gave to the industry, and to their work.

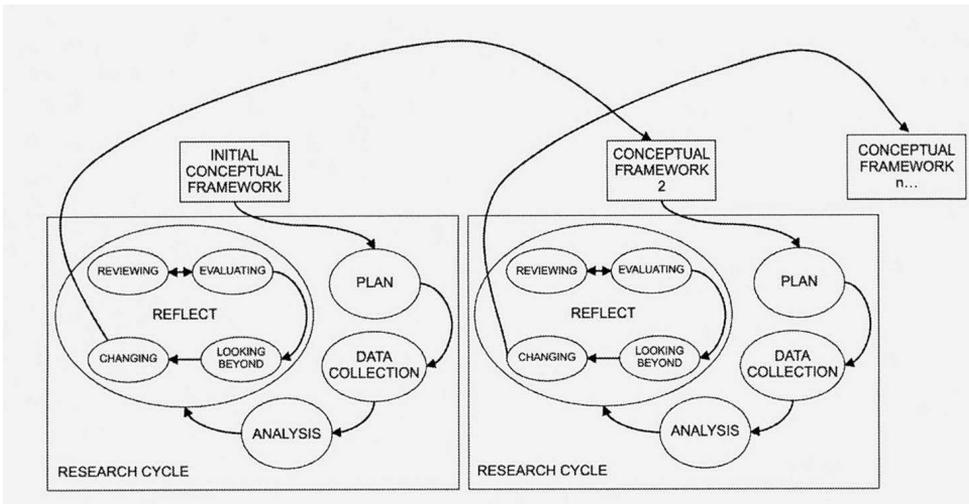
### 3.5. The research cycle

An interpretive research is an emergent process, where ideas, meanings, questions, and data-collection techniques are co-operatively developed. (Hudson and Ozanne, 1988: 513)

The phases of the research process that I described in the previous section are parts of the hermeneutic research cycle that I went through. With the help of theoretical studies and case studies, I made an initial conceptual framework of adaptation in the triadic relationship setting. This framework shaped up during the process. I reviewed the framework continuously, and refined it over the life of the research process (cf. Cepeda and Martin, 2005).

The model of a research cycle created by Cepeda and Martin (2005) describes nicely the cycle I went through (see Figure 24). The cycle began with planning the selection of the

case, research design, and the methods for collecting and analysing the data. Data collection was guided by the plan, and the analysis went on throughout the interview process, and continued until the report was finalised.



**Figure 24 Conceptual framework and research cycle. Source: Cepeda and Martin, 2005: 851.**

A formal stage of reflection was carried out at the end of the analysis. This stage involved reviewing the research process and the methods to collect and analyse data. I evaluated the outcomes of the analysis. I tried to challenge current interpretations, and seek disconfirming data for my tentative findings. I also reviewed the structure of the case. The emerging themes required sometimes re-evaluation and explanations from the literature and from practitioners and experts. This was an ongoing process of meaning construction (cf. Cepeda and Martin, 2005). Eisenhard (1989) and Yin (2003) encourage considering any relevant implications of the findings. Thus, there is a constant need to “look beyond data” to build theory (Cepeda and Martin, 2005: 860). Finally, each research cycle included changing the conceptual framework, and iteration between the data, tentative findings, and inputs to the conceptual framework (Dubois and Gadde, 2002; Cepeda and Martin, 2005).

### 3.6. Data analysis

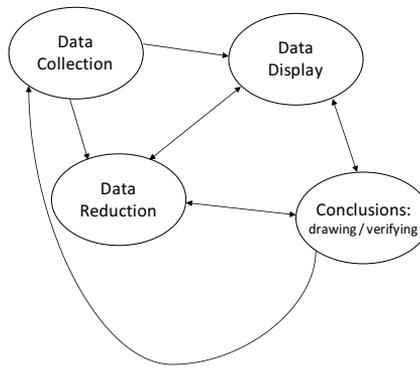
I elaborated on the interview data in two stages, first, within-case analysis and second, cross-case analysis (Yin, 2003). *Within-case analysis* provided a description for each side of the case. These descriptions were central to generating insight (cf. Pettigrew, 1987) and coping with the great volume of data. The data were organised into categories of themes with the help of the NVivo software package. Within case analysis also implied comparing the data to prior studies. Each case was analysed in a three-stage interactive process (see Figure 25) as suggested by Miles and Huberman (1994): data

reduction, data display, and conclusion drawing. During the interpretation process, the data was condensed, trying,

to make the same information more compact and manageable but not lose weight. (Gummesson, 2005), and

to make each concept, model and theory progressively denser with knowledge. (Gummesson, 2006)

In the data display phase, I created tables, matrices, charts and network diagrams to organise data in order to facilitate the analysis process.



**Figure 25 Components of data analysis. Source: Miles and Huberman, 1994: 12.**

*Cross-case analysis of the data was used to compare the embedded cases. According to Eisenhard (1989), cross-case analysis improves the likelihood of developing theory that fits with the data. Furthermore, with the help of cross-case analysis, the possibility of capturing innovative findings increases. The drawing of conclusions and verification was the final analytical step (Miles and Huberman, 1994).*

My case analysis consists of description, analysis and interpretation. Gummesson (2003: 484) argues that all research, especially in the B2B context, relies heavily on interpretation. Furthermore, these three ways are not mutually exclusive (Wolcott, 1994: 12). Patton (1990: 375) advises to separate description from interpretation. Interpretation involves explaining the findings, attaching significance to particular results, and putting patterns into an analytic framework. He sees interpretation as the creative work, and warns not to rush to do it before doing the detailed work of putting together sound answers to major descriptive questions (ibid.)

According to Wolcott (1994: 12), *description* concentrates on the question “What is going on here?” *Analysis* addresses the identification of necessary features and the systematic description of interrelationships among them, i.e. it answers the question “How things work?” *Interpretation* addresses processual questions of meanings and contexts, answering the question “What is to be made of it?” In my case report, I

*describe* the impulses for adaptation, and the adaptations to which they led. *Analysis* concentrates on how the adaptation process progressed, and how the informants perceived the nature of adaptations. *Interpretation* of the adaptation outcomes for a triadic relationship setting is a combination of multiple perspectives of interrelated changes in three dyadic relationships. Interpretation occurs because of an ongoing, reflective process (Wolcott, 1994: 260). Kvale (1996: 201), inspired by hermeneutical philosophy, uses the term interpretation for more general and deeper interpretations of meaning. The interpreter goes beyond what is openly said to work out structures and relations of meaning, which are not apparently observable in the text. This requires a certain distance from what is said, which is achieved by a methodological or theoretical stance, and re-conceptualising what is said in a specific conceptual context (ibid.).

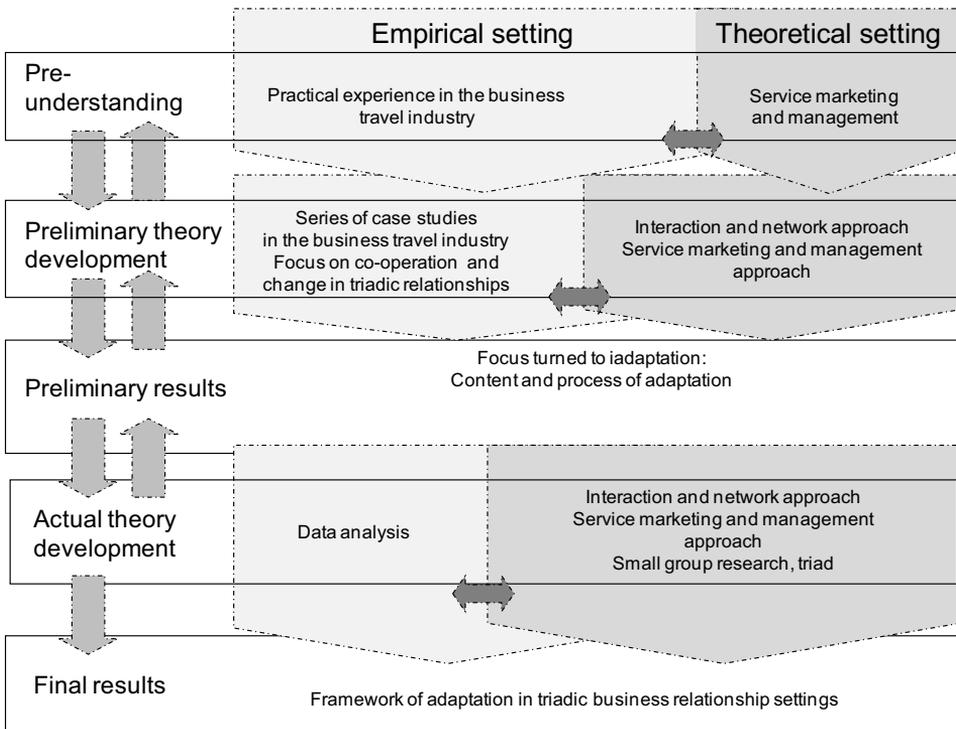
Interpretation can be regarded as an iterative process. An interpretation process is characterised by a hermeneutic circle that requires a detailed “reading of the text”, which in turn leads to new interpretations, which in turn are tested on the text (Easton, 1995). The hermeneutical circle implies continuous back and forth process between the parts and the whole. The understanding of a text occurs through a process where the meaning of the separate parts is determined by the global meaning of text. In the hermeneutical tradition, this circularity is not regarded as a “vicious circle”, but the possibility of a continuous deepening of meaning. (Kvale, 1996: 48)

As stated earlier (see section 2.2.2), I am applying a *triadic approach*, i.e. *I examine each of the three dyadic relationships of a business triad in the context of the other two dyadic relationships to which it is connected, and from both ends of the relationship*. This provides multiple perspectives to data analysis. Each of the dyadic relationships includes perspectives from two buyer informants, five travel agency informants, and three service supplier informants.

The main sources of data were the in-depth interviews. However, also industry specific literature, for example industry reports, trade magazines, and scientific research on travel industry were used for triangulation. These industry specific sources of information are referred to in the text, and they are listed in the reference list.

### 3.6.1. Interplay with empirical data and theory

Even though a standardised conceptualisation of an interpretive research process, which consists of a number of planned succeeding phases and cycles is not adequate in a systematic combining approach, I attempt to illustrate the research process in Figure 26. The figure aims to show how I moved between the theory and the empirical world. The empirical case study and the theoretical framework proceeded simultaneously, and it was influenced by my pre-understanding. Deepening concurrently the theory studies and interpreting the interviews helped me to focus the study. I conducted the literature review simultaneously with fieldwork, thus permitting an innovative interaction among the process of data collection, literature review, and researcher introspection (cf. Patton, 1980). Although the process is emergent, I have distinguished five main phases in the process: (1) pre-understanding, (2) preliminary theory development (3) preliminary results, (4) actual theory development, and (5) the final results.



**Figure 26 The movement between the theoretical and empirical setting during the research process.**

Preliminary research questions were designed before the data collection was undertaken, and they were specified during the process. At the beginning of the process, I was very broadly interested in the co-operation in a triadic relationship setting. When entering the empirical field, I was interested in why the triad of corporate buyer, service suppliers, and business travel agency still exists, despite the possibilities to bypass the travel agency. I defined the purpose of the research very broadly:

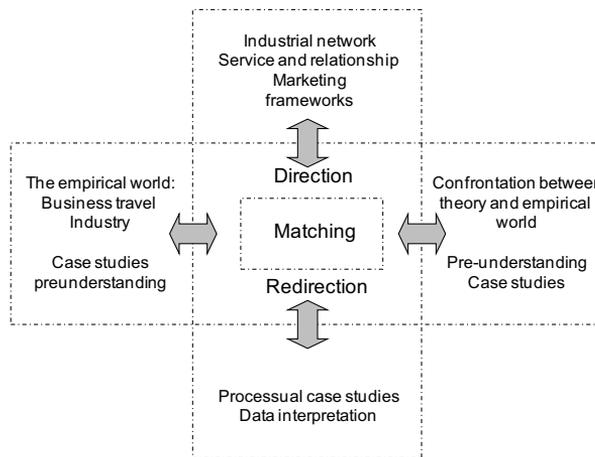
to increase understanding of business triads, and the co-operation between the different participants of the triad in a changing business environment. (Research proposal, March, 2005)

The concepts I was originally interested in were co-operation and change. Later on, the focus turned to the concept of adaptation.

The data collection and initial deskwork went on hand in hand, and writing begun while I still had access to the field, as Wolcott (1994: 21) recommends. This makes it possible to expand understanding on both theory and empirical phenomena. It may also bring about the need to redirect the current theoretical framework (cf. Dubois and Gadde, 2002).

The size of the pentagons in Figure 26 aims to illustrate the share of empirical and theoretical knowledge in each of the phases. I began with an extensive empirical pre-understanding, and a somewhat less extensive theoretical pre-understanding. The horizontal arrows illustrate the continuous movement between the theories and the case studies. The vertical arrows on the left hand side of Figure 26 show the feedback loops in the process, and the hermeneutical nature of the research.

Matching, i.e. going back and forth between the theoretical framework, data sources and analysis is one of the foundations of systematic combining. Direction and redirection of the research are important features for attaining matching. (Dubois and Gadde, 2002) Figure 27 illustrates the matching, direction and redirection processes.



**Figure 27 Systematic combining approach. Source: Dubois and Gadde, 2002: 555, modified.**

The process of building theory from case studies requires a continuous process of reflection and questioning of meaning about the findings, alternative explanations, disconfirming evidence, and relating the findings to the previous research cycles. It is impossible to say how many cycles (cf. Figure 24) were required to reach the purpose of my research. The final stage was the evaluation of the quality of the research, which will be discussed in detail in section 5.4.

There were some stumbling blocks along the way. For example, when I started the analysis, my aim was to create a tentative framework of adaptation in the triadic relationship setting, and complement it with the empirical findings. However, during the process I noticed that the theoretical and empirical insights went hand in hand, and I found it more convenient to fill in the gaps in the tentative framework simultaneously with the theoretical and empirical discoveries. Thus, the framework I arrived at (see Table 7) is influenced by the empirical findings. I also tried to design the report accordingly, i.e. combining the empirical findings with the theory. However, I did not find a way to structure the report to a reader-friendly form, so I chose the conventional report form with separate theoretical and separate empirical parts.

## 4 ADAPTATION IN TRIADIC RELATIONSHIP SETTINGS IN CORPORATE TRAVEL MANAGEMENT

The case study analysis is presented in this chapter. The aim of the empirical analysis is to answer the research questions regarding *initiating adaptations*, *the process of adaptation*, *the spread of adaptation in a triadic relationship setting*, and *the adaptation outcomes*. The chapter is organised in five main sections (see Table 8).

The two first sections describe the empirical context of the study. Section 4.1 presents corporate travel and travel management, and the core activity chain for which the studied triadic relationship settings are established, i.e. the travel management process. The core actors and the levels of analysis are introduced in section 4.2.

The remaining three sections concentrate on the actual case analyses, and on answering the three research questions I posed in section 1.3. The case analysis (sections 4.3-4.6) follows the framework created in Chapter 2 (see section 2.7, Table 7). Section 4.3 deals with initiating adaptations in the core triadic relationship settings. Four impulses for adaptation are analysed in this section:

- *A cost saving campaign*, which deals with the industrial enterprise's internationalisation and thereby growing travel costs.
- *A new sales channel*, describing the emergence of internet bookings.
- *A change in earning logic*, which discusses the service suppliers' sales commission removals from travel agencies.
- *A convergence of business and leisure travel*, which has to do with business travellers and leisure travellers changing buying behaviour.

Before going deeper into the analysis, I will discuss the reasoning behind selecting these specific impulses. I will also provide some relationship specific and industry specific information related to the impulses.

In section 4.4, I will present the adaptation processes to which the four impulses led in the studied relationship settings. The adaptation process analysis consists of the content, the nature, and the progression of adaptation. Content describes what is adapted; nature refers to the scale and formality of adaptations, and their reciprocity; progression outlines the phases and spread of adaptations. Section 4.5 concentrates on the adaptation outcomes. I will conceptualise the outcomes as actor outcomes, dyad outcomes, and triad outcomes.

**Table 8 The structure of the analysis.**

<i>Aim of the section</i>	<i>Name and number of the section</i>			
Presents the empirical context.	4.1 Corporate travel and travel management 4.1.1 Travel management process			
Presents the actors of the case study and the levels of analysis.	4.2 Actors of the case study			
Explains the selection of impulses. Answers to the first research question: How do adaptations initiate in a triadic relationship setting?	4.3 Initiation of adaptations in the studied triadic relationship settings			
	4.3.1 A cost saving campaign	4.3.2 A new sales channel	4.3.3 A new earning logic	4.3.4 A convergence of business and leisure travel
	4.3.5 Analysis and summary of adaptation impulses			
Answers to the second research question: How do adaptations spread over time in a triadic relationship setting?	4.4 Adaptation process in the studied triadic relationship settings			
	4.4.1 Content of adaptation	4.4.2 Nature of adaptations	4.4.3 Progression of adaptations	4.4.4 Summary and analysis of the adaptation processes
Answers to the third research question: How do adaptations change the structure of a triadic relationship setting and the nature of its relationships?	4.5 Adaptation outcomes in the studied triadic relationship settings			
	4.5.1 Actor outcomes	4.5.2 Dyads outcomes	4.5.3 Triad outcomes	4.5.4 Summary and analysis of the outcomes

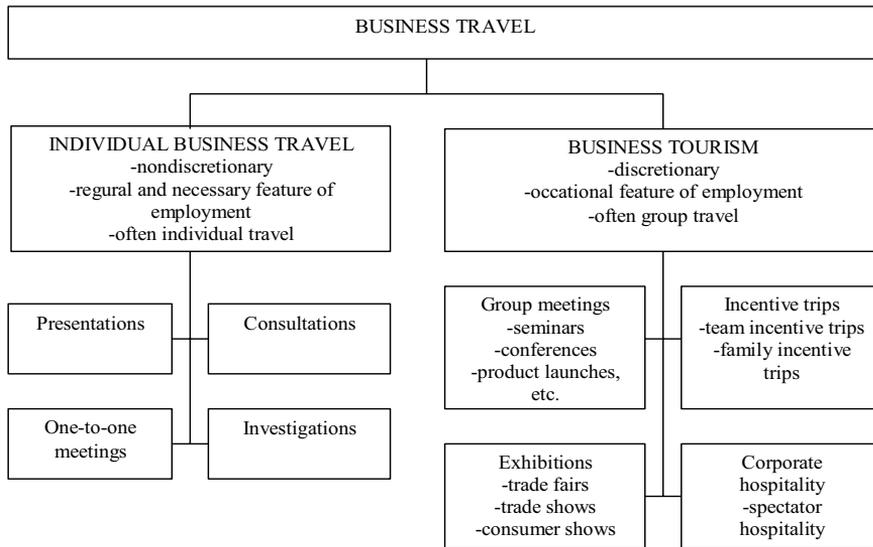
#### **4.1. The empirical context: Corporate travel and travel management**

For the corporate buyer, the purpose of business travel is to facilitate the travellers to complete work related tasks outside home offices. Business travel incorporates a variety of forms. It may be divided into individual business travel and business tourism (See Figure 28). *Individual business* travel engages people working away from their normal place of employment for a short period of time, which means trips taken within the normal framework of professional activities. This implies business trips with the purpose of one-to-one meetings, giving consultations or presentations, or conducting investigations. Individual business travel is traditionally regarded as nondiscretionary travel, because the traveller may not be able to decide over the destination, or over other details of the trip. (Davidson, 1998; Page, 1999)

*Business tourism* implies larger group meetings, trade fairs, exhibitions, conferences, and congresses. Furthermore, corporate hospitality and incentive travel<sup>28</sup> are included in

<sup>28</sup> Vacation travel arranged by or through an employer and awarded as a motivational bonus to qualifying employees or salespeople.

business tourism. Business tourism entails features of both nondiscretionary and discretionary travel because the choice of where the events are to be held is open to negotiations. (Davidson, 1998; Davidson and Beulah, 2003)



**Figure 28 Business travel sectors. Source: Davidson and Beulah, 2003: 4.**

Business travellers represent all the organisational levels of the companies. They may belong to managerial or sales personnel, and they have often the authority to negotiate on behalf of their companies. Furthermore, their work can only be carried out face-to-face with others. Business travellers are not always white-collar workers in high positions, but very often those in possession of technical or specialist skills that are travelling in order to carry out tasks away from their normal working environment. (Whitford, 1999)

In a broad sense, business travel is all about facilitating communication (Rose, 2008). A large part of business travel is associated with negotiations, marketing and sales. Face-to-face meetings are often regarded as a necessity, partly because the communication is characterised by uncertainty and ambiguity, particularly in new relationships. Furthermore, personal contacts are regarded as essential in establishing trust and commitment. Also internal communication, i.e. contacts between various units within the same company group, generates business travel. However, internal contacts are not generally characterised by the same degree of complexity as external contacts, and may be replaced easier by other means of communication than face-to-face contacts. (Lian and Denstadli, 2004)

Basically, business travellers use the same services as leisure travellers. However, they have particular expectations, for example concerning reliability and punctuality of the

services, a fact that makes them a distinct market for the various service suppliers. In addition to the core service, the business trip may include a number of enabling services, and enhancing services (cf. Grönroos, 2007). During a business trip, the core services are, for example, the flights, and the hotel rooms. Enabling services make it possible to use the core service, for example a booking system to book the flights, or the hotel room. Enhancing services are used to increase the value of the service. For example, airlines and hotels provide business class lounges, and travel agencies 24 hour booking services for their clients. For business travellers and their employers, all these elements of the service are important. The travel agency helps in packaging these services for the corporate clients.

The objectives of the interaction between buyer and seller put demands on the organisational resources available for the interaction. These resources mean the required buyer and supplier capabilities and the optimal buyer-supplier interaction in terms of the representatives involved at the supplier and the buying firm (Cunningham and Homse, 1986). The basic service offering is important, but what is essential is the capability and interest to adapt and develop the contents and delivery conditions in a process together with the buyer (Edvardsson, Holmlund and Strandvik, 2008).

### ***Corporate travel management***

Corporate travel management can be in brief defined as the maximisation of travel services by a corporation to its employees and the minimisation of the cost of providing those services. Travel management is a dedicated business function that balances employee needs with corporate goals, for example financial goals. It is a significant support function in many companies, and an important part of many companies' business strategy, because business travel related costs are generally the second largest controllable cost in a company after wages, constituting of about 30 % of companies' indirect operating costs (Upton, 2005; American Express, 2008).

The most important tool in managing corporate travel is *travel policy*. In many companies, senior management has realised that considerable benefits can be reached by applying stronger management disciplines. The role of the travel manager has been redefined and expanded. The trend in the majority of the companies is towards tighter policies in booking travel. This means that business travellers do not make independent decisions or choices as the corporation directs so much. (Hall, 2000; American Express and A.T. Kearney, 2008; McCartney, 2008)

A travel policy should aim to reach a balance between savings to the organisation, and increased productivity and traveller satisfaction (American Express and A.T. Kearney, 2008). Traditionally, a travel policy is a key to cutting travel costs. Travel purchase include, besides the direct costs of the services, a number of indirect costs related to the service delivery (cf. Gadde and Snehota, 2000), for example booking the travel. A travel policy also helps to direct the travel purchase to the preferred suppliers. A successful corporate travel policy encourages compliances among travellers by, for example, setting actual and reasonable guidelines, explaining the rations behind them, describing the penalties for non-compliance, identifying guidelines for making travel arrangements, and establishing parameters for business travel related costs. The majority of the companies worldwide have created a corporate travel policy. In some

companies, there are unofficial policies towards business travel, of which employees are made aware. (Mason, 2002; Douglas, 2008)

The major advantage in centralised travel management is the consistent administration of policy throughout an organisation, because there is a single point of control for monitoring all travel functions and managing supplier and travel agency relationships. Another advantage is the maintenance of specialised employees who are devoted to administer policy and support travel operations. In centralised travel management, it is easier to consolidate volume and management information for use in supplier negotiations. However, company policy may not adequately address local conditions or problems, and communication from headquarters to field divisions may isolate divisional employees and result in poor general policy compliance. (Runzheimer International, 2000)

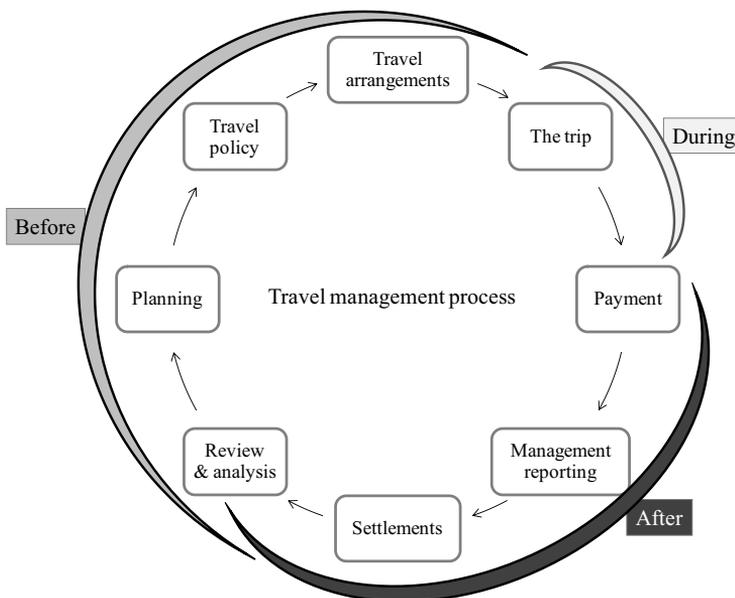
Business travel undertaken by employees in small companies with small travel budgets has generally no need for the centralised and managed travel function (Douglas and Lubbe, 2006: 1131). In decentralised travel management, it is easier to delegate budget responsibilities and policy administration to unit managers, which may increase policy compliance. Furthermore, review of exceptions at a unit level may allow for flexibility within individual circumstances. Customised services to meet a unique problem are also easier to negotiate. However, the advantages can lead to an inconsistent treatment of policy for different branches and differing levels of attention to travel by unit managers. In decentralised administration, there is a loss of negotiating power with suppliers, and multiple corporate contacts may delay changes. Multiple corporate contacts may also diminish supplier concessions or service improvement. Monitoring total costs and performances is challenging in decentralised travel management. (Runzheimer International, 2000)

Some international companies have a system of international travel management where the whole company has the same rules that are applied locally by a contact person in each unit. Usually international travel management is implemented gradually, starting from the countries with similar cultures and infrastructures. Big savings may be made by negotiating contracts based on the worldwide volume. However, gathering international data, on which the negotiations are based, may be challenging. Another challenge may be in creating and enforcing a corporate travel policy for employees with different cultural backgrounds and preferences. International travel management requires professional and centralised travel management, strong management disciplines, a strong international network, upper management's support, and acceptance and attention from the business travellers. (Runzheimer International, 2001)

#### 4.1.1. Travel management process

The travel management process is the core activity chain that the three firms of the current study are co-operating on to accomplish. The services the business travel agencies and service suppliers offer to the corporate buyer organisation are related to the travel management process, and the adaptations that occur due to this process.

An established practice is to describe the travel management process with the tasks carried out *before, during, and after the business trip* (See Figure 29). This chain of activities can be also described as “a business trip life cycle”. Before the business trip, contracts are negotiated, and travel policy and strategies are created and implemented. Practical travel arrangements are taken care of by the business travel agency or by the corporate buyer directly with the service suppliers. During the business trip, the traveller consumes the prearranged services. He/she may also arrange them on the spot. After the business trip, payments are settled.



**Figure 29** A visualisation of a travel management process from the buyer’s perspective.

Service suppliers, business travel agencies, and credit card companies provide the buyer organisation with managerial and expense reporting. The process is not a one off, but an ongoing process. Reports and managerial information obtained after the trip are exploited in new contract negotiations, and as budgeting tools. Basically, it is only the “during”-phase in the travel management process that has to be accomplished by the traveller, all the other phases may be outsourced, or completed with the help of the business travel agency and the suppliers.

Travel management is a cross-functional process, which involves internal departments in the organisation, and exploits the resources of partner organisations. The Finnish Business Travel Association divides the main sectors of corporate travel management into four different areas: *strategy and policies, purchasing and contracts, process, and reporting and follow up* (see Table 9). Each of the functions presented above includes a number of different tasks, which are performed in co-operation with the actors participating in the travel management process.

**Table 9 The sectors of responsibility and related tasks in corporate travel management (TM).  
Source: The Finnish Business Travel Association (modified).**

AREA	Strategy and Policies	Purchasing Contracts	Process	Reporting Follow up
	Collective bargaining Travel Policy Instructions and legal regulations (taxation, VAT) Service Concept Risk management	Designated suppliers Concept of contract negotiations Contract models	Means of payment Integration (direct/intermediaries) Service Quality Management	Levels Analyses Conclusions Advising/Consulting Budgeting
TASKS	Coordinating TM, defining strategies and aims Creating and developing policies and practises Follow-up of authority regulations and directives Enhancing travel safety Keeping abreast with current affairs and development in TM, suggestion for action	Defining and implementing purchase strategy for TM Negotiating purchase contracts, guidance and follow-up Developing supplier relations and service concepts (travel agent's, other service providers and producers)	Developing payment systems Acting as a coordinator between travel agents and service providers Developing and implementing action plans and process models Developing and monitoring customer satisfaction Creating and developing a booker network (travel planners, coordinators and other actors)	Mapping out cost savings, suggestions for actions, follow-up Developing a follow-up system for monitoring travel structure, costs and volume.
Communications Training Networking Information Technology				

The buyer organisation generally develops strategies and policies internally. They are rooted into practices with the business travel agency and the service suppliers. Business travel agencies provide consultancy in travel management issues. Purchasing, contracts, process and reporting require co-operation between the travel agency, corporate buyer organisation and various service suppliers. They adapt their activities and resources in all the four sectors described in Table 9.

Even though travel management is a multiorganisational function, it is often positioned in the purchasing department (Mayer, 2007)<sup>29</sup>. Corporate buyers are increasingly concentrating their business travel purchase to a small number of partners. The emphasis on the company side is traditionally on saving money by concentrating purchase and negotiating good contracts. For the corporate buyer, selecting a reliable business travel agency and service suppliers can be one of the most important decisions,

<sup>29</sup>Other departments may be management, financing, corporate services, and human resources departments (Mayer, 2007).

and potentially one of the costliest mistakes the buyer can make. (cf. Day and Barksdale, 1994)

Business travel purchase is exceptionally complex with a great number of distribution channels selling a perishable service whose pricing changes all the time (Cohen, 2001b). Business travel services have also several reverse features: for example, they may be long-term and short-term, simple and complex (Axelsson and Wynstra, 2000). Furthermore, the purchased services are directed both to individuals and to the buying organisation. The purchase process is complicated by the need to satisfy a larger number of affected travellers (cf. Fitzsimmons and Noh, 1998), because there is a high degree of emotionality involved in business travel purchase. According to Cohen (2001b:36), “*in the world of corporate purchasing, travel is different from anything else*”.

A broad range of skills and sensitivity are needed to buy business travel. It requires, in addition to purchasing skills, human resources skills as it is “human cargo” that is sent around the world (Cohen (2001b). Moreover, when the components of travel manage to minimise stress, the traveller will arrive at the destination being able to function to the best of his or her ability (Gilbert and Morris, 1995). The corporate traveller has psychological needs (for example safety and comfort) while travelling on behalf of his company as well as specific functional needs regarding technology, accommodation and transportation. The travel manager is generally balancing between the requirements coming from two fronts; management’s requests for cost savings and travellers’ desires for more convenient and comfortable travel (Bell and Morey, 1997; Douglas and Lubbe, 2006).

The travel management deals with the company’s most valuable asset, its employees’, thus travel safety is an important issue in corporate travel. Terrorist attacks, wars and epidemics have directed growing attention to the security precautions. For safety reasons and for economic reasons as well, corporations are looking for alternatives to traditional business travel. Video-conferencing and web-conferencing possibilities where participants can create and modify documents in real time are competing with business travel. (Cohen, 2001a; Goodridge, 2001; Mc Dougall, 2002). In many companies, the alternatives to business travel are replacing specifically internal meetings. Another motivation to cut down all unnecessary business travel is the corporate social and environmental responsibility, which is gaining growing attention in the corporate travel sector. For business travel agencies, restricting business travel is both a treat and an opportunity. In addition to travel related services, some of them have diversified into services that help their clients to *travel less* by providing meetings without travelling. (Advito, 2008a; Caamano, 2008; Resegeometri, 2008)

The current study focuses on adaptation in relationships between an industrial enterprise, business travel agency, and service suppliers. Management of the corporate travel function in an organisation is ideally the responsibility of the corporate travel manager. However, the corporate travel management process cannot be successful without the support of all other actors involved in the process; the appointed business travel agency, and the various service suppliers. The organisation depends on the interactive relationships between these actors in realising the goals of an effective corporate travel management process. (Douglas and Lubbe, 2006) Each of the actors involved in the corporate travel management process has their own values that they

consider important. Generally, the management of the company wants to keep expenses as low as possible while achieving business goals. The business travel agency wants to be guaranteed a firm stream of business and revenue. Furthermore, the supplier wants the highest possible yield for its services. Challenges may exist when the values and objectives of the different actors are in conflict with each other. Ultimately, they all strive to reach one common outcome: a successful, effective corporate travel management programme that will satisfy all the actors taking part in the process. (Bell and Morey, 1997; Douglas and Lubbe, 2006)

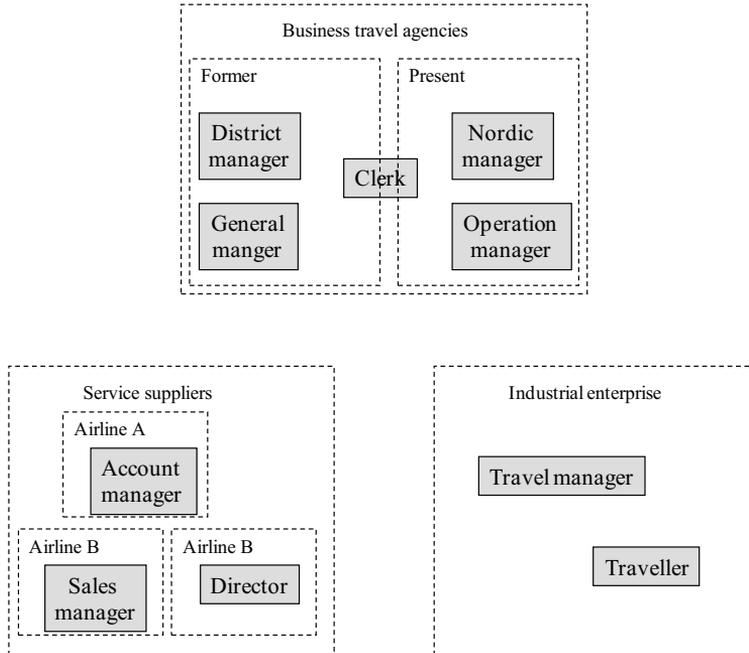
Generally, buyer organisations need a wide assortment of service suppliers, depending on the scale and scope of business travel. Corporate buyers have a portfolio of relationships with the suppliers based on the importance and complexity of the service (cf. Ford et al., 2003). Relationships with service suppliers may represent different degree of involvement, depending on the service they are providing. *The preferred service supplier relationships generally require high involvement and major adaptations.*

The relationship with the business travel agency partner is commonly a *high involvement relationship* (cf. Ford et al., 2003) because of the complexity of the services provided, and the high integration in the travel management process. However, some simple services, for example return flights to a regular destination, may require high relationship involvement because of the integration of self-booking tools.

Outsourcing travel management to a business travel agency, or to a consultant company, represents the deepest level of relationship involvement. The best business travel agencies are almost extensions of the client organisation, in tune with the climate and culture. However, both buyers and suppliers admit that there should be a person in the corporate buyer organisation with the right to make decisions, and to take the responsibility of the travel management function. Although many corporations are limiting resources for travel managers because travel is not a core business, issues such as traveller health, safety and productivity are managed internally. (Mayer, 2007)

#### **4.2. Actors of the case study**

This section introduces the actors of the case studies. *The industrial enterprise*, its *three preferred service supplier*, and *two business travel agency partners* form six triadic relationship settings, which are the focus of the current case studies. Figure 30 (See also Figure 22) is an attempt to illustrate this rather complicated research setting. Ten informants represent the firms involved in these relationships: two industrial enterprise informants, five informants from two different business travel agencies, and one informant from each of the three different service supplier organisations. They are actual co-operating partners at the time of the interview process. Their relationships are contractual, and the triadic relationship settings they form are continuous triads (cf. Caplow, 1968), i.e. they are established for a certain period.



**Figure 30** The firm-actors and their informants.

The firm-actors and their informants will be presented in the following. The informants are chosen from different organisational levels in order to gain a more comprehensive picture of their co-operation. The key ethical issue is to ensure that the firms and the individual informants are disguised to assure anonymity. Therefore, I am not able to reveal the names or other details of the firms, or of the individual informants.

#### 4.2.1. The industrial enterprise

The industrial enterprise has several business sites in more than 50 countries. A great deal of work is carried out outside the employees' home offices, requiring a lot of travelling. The company has centralised travel management and a strict travel policy. All the informants agree that the industrial enterprise's business travel is very demanding because of its wide scope of destinations, and travellers at different organisational levels. The industrial enterprise is an attractive client for any partner, because of the large purchasing volume, and the ability to direct travel purchase to the preferred partners.

The key informant of this case study, the *travel manager* negotiates the contacts with partners. She acted as a gatekeeper, paving the way to the other actors. First, she suggested another informant to represent the industrial enterprise. Second, she handpicked the co-operating firms, and the individual informants to represent the firms. The motivation for her to select these specific firms and individuals was the long co-operation with them, both at the firm level, and at the individual level. An exception is the present business travel agency that entered the triadic relationship setting in a later

phase. However, the informants from the present travel agency were familiar to the travel manager from earlier business relationships (cf. relationship energy, Havila and Wilkinson, 2002). The travel manager was convinced that these informants have the knowledge and ability to reflect the core relationships.

The other industrial enterprise informant is a business traveller, who has a two-fold role in this study. Besides being a regular business traveller, he has been responsible for implementing travel management in the industrial enterprise. When I conducted the interviews, he represented a regular business traveller, and I will call him the “*traveller*”.

#### 4.2.2. The service suppliers

The industrial enterprise aims at concentrating its purchase to a few reliable partners. The case service suppliers all operate internationally, and they are among the industrial enterprise’s most important supplier partners. The travel manager negotiates contracts with the service suppliers’ account/sales managers. The business travel agency clerks arrange the practical travel according to the terms of contracts. The airline informants, *the account manager* and *the sales director*, and the hotel chain informant, *the sales manager*, are the travel manager’s contact persons with whom the co-operation is arranged.

#### 4.2.3. The business travel agencies

The industrial enterprise concentrates its business travel to one business travel agency at a time. Not long before the interview process started, the industrial enterprise changed its business travel agency partner for reasons that will be discussed later in the analysis. These two business travel agencies will be later in the analysis addressed as “*the former travel agency*” and “*the present travel agency*”. I got the unique opportunity to include both the business travel agencies in my research. The industrial enterprise needs a business travel agency partner that belongs to an international alliance that covers all the countries where the industrial enterprise has operations. The two agencies of this case study fulfil the abovementioned requirements.

The *general manager* and the *district manager* represent the former business travel agency. The informants of the present business travel agency are the *Nordic manager*, and the *operation manager*. One of the business travel agency informants, the sales clerk/account manager (later: *travel agency, clerk*) worked first for the former business travel agency, and moved to the present business travel agency when the relationship with the former agency ended. Thus, she represents both the agencies, and comments for them both. She devotes half of her time to account management, and half of it to practical travel arrangements. She acts as a link between operational and managerial levels, and she has direct contact with the business travellers.

#### 4.2.4. The levels of analysis

This study focuses on relationships between firms. However, it is the individuals who represent the firms. The analysis moves at different levels, as is illustrated in Figure 31. There are 10 informants that were presented above. They represent the six firms, i.e. *the industrial enterprise, the former travel agency, the present travel agency, airline A, airline B, and the hotel chain*. Some of them form *groups of firms*. In the analysis, I will refer to *service suppliers*, or *suppliers*, when I mean the airlines *and* the hotel chain. Consequently, when *the two business travel agencies* are in question, I will use the term *business travel agency, travel agency, or agency*. I will also compare the case studies to industry specific information. I will then use the terms buyer organisation, buyer, or client instead of the industrial enterprise.

Actors										
Group of firms	Business travel agencies							Service suppliers		
	Industrial enterprise		Former business travel agency		Present business travel agency			Airline A	Airline B	Hotel chain
Individual informants	1	2	3	4	5	6	7	8	9	10

Figure 31 Levels of analysis.

### 4.3. Adaptation initiation in the studied triadic relationship settings

*The aim of the section is to answer the first research question: How are adaptations initiated in a triadic relationship setting?* Four major adaptation impulses are used to look at the adaptations. They are first presented in sections 4.3.1 – 4.3.4. Also some background information regarding the business travel industry and the core relationships at the time when the impulses emerged will be provided. Finally, in section 4.3.5, I will analyse the impulse types and sources.

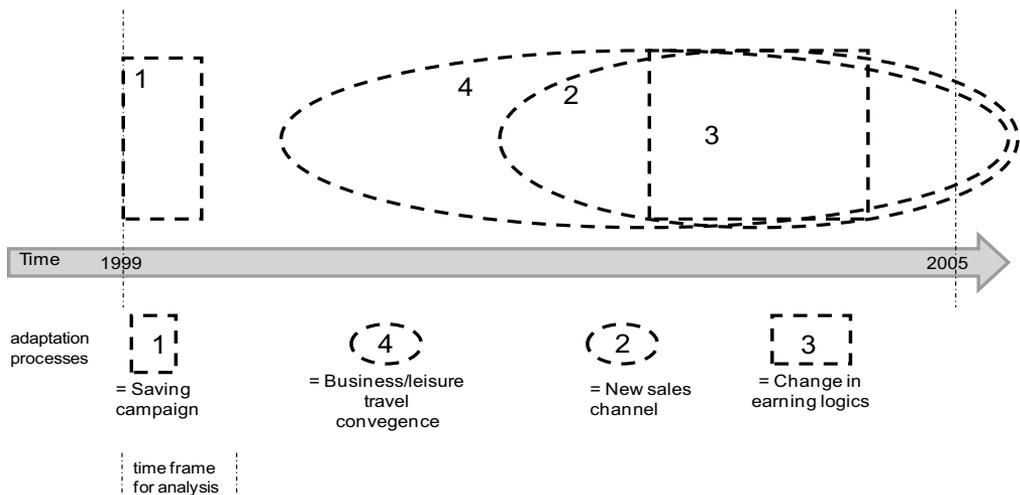
The four adaptation impulses that emerged from the interview themes have important implications for the study. Therefore, before going deeper into the analysis, it is necessary to explain how and why I ended up with these four specific impulses.

#### *Interview themes and their classifications*

Adaptation impulses emerged from the *interview themes* that arose from the interviews. They were themes by which the informants described what has made them, or their counterparts to make adaptations. The informants marked some of the themes in the diagrams that I used as visual aids in the interviews (see Figure 23). Some more themes emerged from the interview transcripts. I named these themes *adaptation impulses*. Four impulses were chosen for the analysis: (1) the saving campaign, (2) the new sales channel, (3) the change in earning logics, and (4) the convergence of business and leisure travel.

To specify the themes to be analysed, I categorised them in the following way: First, I listed the frequently mentioned themes. Second, I categorised them, and ended up with the four above mentioned groups. These themes and impulse categorisations are presented in Appendix 4. The four impulses I chose to analyse are impulses that *all the informants regarded important*. They were also impulses that had an impact on the relationships, i.e. they led to adaptations that changed the dyadic relationships, and thereby the triadic relationship settings. Some of the themes are intertwined, for example, deregulation in the airline industry led to competition in the travel industry, and is thus a force of change behind a number of impulses.

Figure 32 aims to illustrate the approximate timing of the impulses. Two adaptation impulses, (1) the saving campaign and (3) the change in earning logics are illustrated by a rectangle, because they led to *time-framed and planned adaptation processes*. The (2) change in earning logic and the (4) business and leisure travel convergence led to *evolving adaptation processes* whose beginning and ending is difficult to estimate. Therefore, I have illustrated them by using elliptical shapes.



**Figure 32** A visualisation of the adaptation impulses' time frames, simplified.

### *Abandoned themes*

There were also themes that were discussed, but they were excluded from the analysis. They were themes that the informants raised, but after considering them closer, the conclusion was that the specific theme was not essential for the development of the core relationships. An example is the industrial enterprise's new business site. Because the core actors operate internationally, the disappearance of an individual business site, or the birth of a new one, does not cause major adaptations. Small, local service suppliers, on their part, would be more likely to introduce adaptations:

As a whole, our travel [industrial enterprise's] is so spread out around the world that small changes have an impact on the local hotels, for example, if the flow of travellers stop coming...if we have filled the hotel, let's say 70 %, it is a big issue for the hotel...But to the airline carriers, because we have divided our flights between several carriers, because our destinations cover the whole world, it is not a big issue. (Travel manager)

The impulses I chose for the analysis are rather *generic and universal*. They are not sudden, and they do not arise from individual specific, or firm specific occasions. *The impulses describe rather the general developments of the relationships than partner-specific developments*. One reason to choose the generic impulses derives from the informants themselves. They concentrated on the more generic impulses because of their vast experience in different positions in the business travel industry, and because their interest in the development of the industry. Also the present travel agency informants regarded these impulses important, even though the saving campaign and the change in earning logics occurred when their present employer was not involved in organising the industrial enterprise's travel management process. This was due to their contacts with the industrial enterprise in other connections during the years (cf. relationship energy by Havila and Wilkinson, 2002). Furthermore, even though adaptations in triads would be relationship specific, some of them facilitate co-operation also in the future relationships.

Furthermore, my informants were co-operating partners at the time of the interviews. It may have been easier for them to discuss these generic issues than individual specific or firm specific issues. However, even though the impulses analysed are generic, there were also confrontations and disagreements of the need for and the scale of adaptations. Thus, *even though the impulses are generic, they lead to different processes and different relationship outcomes, giving thus a diverse picture of adaptations in triadic relationship settings*.

I used adaptation impulses as "the window" through which I look at adaptation; its content, its specific features, the process of how it spreads in the triadic relationship settings, and its impact on the relationships. To be able to analyse, I needed an impulse that "opens the window". Choosing the impulses the informants regarded as important ensured that there is a view opening from the window.

The research setting of my study provides multiple perspectives. Thus, some of the impulses were regarded as important by one informant, but unimportant by another informant, for example, airline alliances. Airline informants think they are important, but the travel manager disagrees:

Airline alliances are useful when it comes to the bonus-systems and lounges and marketing. But all the basic things never came true. Each of them [the airlines] has built an identical organisation in every country in which they are operating. Therefore, an airline is competing with itself [in different countries] because all the countries want the sales. (Travel manager)

Furthermore, the perceptions of a specific impulse's importance may differ. For example, the travel agency clerk is often worried for the travellers' safety and security, meanwhile the travel manager looks at the safety problem from a different perspective:

The most devastating event was probably the twin towers [11 September, 2001], that was a shock to the whole world... Then there are, for example, civil wars taking place when you have to get travellers home from the country as soon as possible. It is nearly as if you were there yourself... Then you will co-operate [with the airlines and the client] to get the traveller back home. We only talk about money later on when everybody is safe. (Travel agency, clerk)

However, a differing view is that,

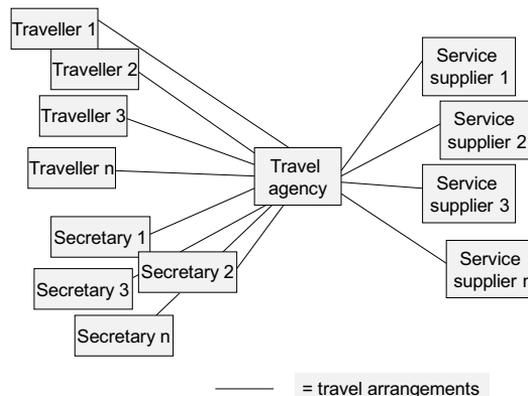
employees who deliver newsletters and security plans of risk areas and areas where travelling should be restricted, are the right source... a travel agency is not the right place to take on the responsibility for the lives of the travellers. (Travel manager)

In order to make it easier for the reader to follow the analysis, the following four sections will provide background information of the four chosen adaptation impulses.

#### 4.3.1. A cost saving campaign

We had to somehow concentrate on all the countries to which we were travelling. To get it managed in a reasonable way, to get a common policy, common partners, and common reporting. (Traveller)

The industrial enterprise started an extensive cost saving campaign in the late 1990s. This was due to the internationalisation of its operations, and thereby growing business travel. Before the saving campaign, the industrial enterprise's business travel purchase was unorganised, and it was transactional. Travellers and their secretaries made practical travel arrangements with a local travel agency, and they used several service suppliers. (See Figure 33 for a simplified illustration)



**Figure 33** The industrial enterprise's business travel arrangements, simplified.

Business travellers were more or less free to travel as they wished, and no attention was paid to the costs. Decisions regarding which service suppliers and business travel agencies to co-operate with were made by those booking travel. Furthermore, the business travel agency clerks could influence the travellers' choices, or make the choices for them.

There were many people working with the administration around travel advances and expense reports, but no integrated guiding or reporting existed. There were contracts with tens of business travel agency chains and private business travel agencies around the world, and hundreds of contracts with the same partners in different cities. According to a supplier informant, the travel management was,

a traditional distribution channel, service supplier-intermediary-end user channel...travel management wasn't very advanced, and travel agencies acted as gatekeepers, and the roles were quite clearly divided so that buyers were buying and relaying on the travel agency's objectivity to distribute the best and most inexpensive services from the providers. (Airline, director)

Other companies with large travel budgets had already organised their travel management many years ago, and the industrial enterprise was "*famous for flying in business class, and wasting money*". (Traveller)

#### 4.3.2. A new sales channel

We do not have time to surf the internet, it is too expensive, and we do not find all the rates there. (Travel manager)

The possibility for internet bookings was a new opportunity for all three firms, as the travel industry is said to be a suitable industry for applying new technology to (see section 2.2.5.2.). However, in order to be able to understand the development of the sales channels, a brief history of business travel distribution, and an introduction of an additional actor, namely Computer Reservations System (CRS) is in place. The CRS is a system used to store and retrieve information, and to conduct transactions related to travel. They were originally created and operated by airlines. Major CRS operations that book and sell tickets for multiple airlines are known as Global Distribution Systems (GDS). (Bédard, 2002; Tretheway, 2004) From the early 1980s onwards, business travel agencies adopted CRSs and afterwards GDSs.

For suppliers, CRSs and GDSs provided two key development opportunities. First, there was no more need to employ large numbers of employees to deal with telephone bookings, because the suppliers were able to display availability directly to business travel agencies via the system. Second, they created an opportunity to develop effective yield-management techniques. Until late in the 1990s, the traditional travel business evolved with an integrated group of players; service suppliers, CRSs, and travel agencies. Their success was interdependent, for example, if an airline sold a seat and made money, so did everyone else in the chain. (Bédard; 2002; Tretheway, 2004)

#### 4.3.3. A change in the earning logics

The airlines wanted to sell each possible seat at the highest possible price. And at the other end the corporate buyer wanted to have the seat at the cheapest possible price, and for years we have been somewhere in the middle. (Present travel agency, Nordic manager)

Traditionally, airlines used business travel agencies as a distribution channel for selling flight tickets, because there were no other alternatives. They paid business travel agencies a percentage-based commission on the issuance of a ticket. The main factor

affecting business travel agencies' income was the level of commission paid by the airlines including override commissions, i.e. additional commissions paid by the airlines when a certain volume level is achieved. Naturally, also traffic volumes, the share of business class and economy class tickets, and the prices of airline ticket had an impact on business travel agencies' revenue. (Cranfield University, 2000) For the airlines, ticketing, sales and promotion were the second largest cost after labour. Industry wide, commission costs made up the largest proportion of distribution costs, representing approximately 10 % of them<sup>30</sup>. (Cranfield University, 2000) In the beginning of the 2000s, airlines gradually removed their sales commissions.

The business travel agencies were forced to change their earning logics in order to compensate the missed commissions. They started to charge service fees from their clients. New models, management fee models and transaction fee models replaced the commission-based contracts with corporate clients. For the corporate clients, two basic contract practices with business travel agencies emerged, those based on management fees and those based on service fees. (The Nordic Competition Authorities, 2002)

In a *management fee model* the corporate client pays the agent all costs involved with handling the account, and a pre-defined profit. The business travel agencies add commissions received from the suppliers, and deduct direct costs, overheads and profits. Any positive balance goes to the client organisation, and the client organisation pays any negative balance to the business travel agencies. In a *transaction fee model*, the client organisation pays for each transaction according to a pre-calculated service fee, and the business travel agency keeps the revenues. The business travel agency will return all airline commissions to their clients. In return, the agent will charge clients a transaction fee for every service they provide, including bookings. The level of the transaction fee will be based on the costs to the agent for supplying the services. The fee will also depend on the service concept, for example dedicated teams, 24-hour service, and customised management information. (Cranfield University, 2000)

Earlier, service costs were generally disguised in the fare, and for smaller clients the change was dramatic. Small and medium sized clients are more likely to emphasise value for money, as the cost of the travel is important to these companies. Large corporate customers are looking for efficiency, value, accurate data supply, understanding of travel policy structures, and assistance in policy control. Independent small agents were under threat due the commission cuts unless they were specialised in niche markets, and had a good understanding of their clients' needs. Those business travel agencies that were prepared for the change survived, and joined their forces through mergers and consolidations with large agencies. (Cranfield University, 2000; Bédard; 2002; The Nordic Competition Authorities, 2002; Alamdari, 2002; Hatton, 2004)

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<sup>30</sup> The division of costs for airlines: commissions c. 10 %, ticketing 2-3 %, CRS fees 2 %, credit card fees 2-3 % (Cranfield University, 2000: 2).

#### 4.3.4. A convergence of business and leisure travel

The whole travel business should go through a major structural change...there are a lot of leisure travellers who have the money, and who do not want to have the cheapest seats...they [service suppliers] should change their services so that they would obtain the expensive class for those travellers who want to pay, and they are not necessarily business travellers. (Travel manager)

Traditionally, suppliers direct their services to two customer segments, business travellers and leisure travellers. The corporate buyers negotiate corporate discounts with service suppliers. The discounts are based on purchasing volume, and provided off published fares. However, when published fares were raised and the economy fares went down, corporate buyers noticed that there was no use in negotiating contracts as long as everyday leisure travellers still got better rates – without negotiations, and without bargaining power. (Rose, 2008; Teichert, Shehu and von Wartburg, 2008)

Generally, it is assumed that business travellers place high value on ticket flexibility and low value on cost. Thus high cost, fully flexible tickets have been aimed at this market. The airlines, for example, had a revenue management system, which allowed them to sell the same seat for 15 to 20 different prices, depending on which market segment the traveller belonged to: business traveller, leisure traveller, price-sensitive, not price-sensitive, etc. Business travellers were kept away from the low fares by placing a requirement to stay over Saturday nights (Sunday rule) and to buy the ticket two weeks in advance. (Mason and Gray, 1999) Furthermore, the tickets were return tickets, non-refundable, and non-changeable. However, corporate buyers' buying behaviour has changed, and sometimes price goes before flexibility, specifically in short-haul travel. (See also Archambault and Roy, 2002; Lindstädt and Fauser, 2004; Mason, 2005)

Leisure tourists are traditionally regarded as less demanding and more price conscious. Travel becomes cheaper, and people become richer. Demographic, geographic and political trends shape leisure travellers. They are more sophisticated, knowledgeable and demanding, and prosperity, education and choice raise expectations. Growing leisure traveller groups, such as active seniors, who are taking more holidays and short breaks to relax and enjoy freedom, are an interesting challenge to service providers. (Rubin and Joy, 2005; Amadeus, 2007) In addition to leisure travellers who demand high quality, and business travellers who require lower prices, there is also a growing number of leisure travellers who are still more price sensitive and less service and convenience sensitive. This challenges specifically airlines' services. Full-service airlines are argued to,

deliver an over engineered product that is neither able to satisfy the business customers quality and service demand, nor the price expectations of the leisure customers. (Lindstädt and Fauser, 2004)

Furthermore, business travel itself features elements of both consumer and industrial markets, and it is difficult to specify whether services consumed for business-related reasons are consumer or industrial services. Business-related travel may be defined as a consumer service, as it is the individual consumer, the business traveller, who uses the service as a completed product. For instance, a business traveller may see the flight as a consumer, and look for consumer benefits (duty free, seat comfort, etc.). However, business travel is conducted due to work-related tasks, and the trip is usually paid by the

employer. Therefore, it could be classified as an industrial service. *Airlines do not distinguish between travellers if a leisure traveller wishes to purchase a ticket directed to business travellers, or vice versa.* (Mason and Gray, 1999)

#### 4.3.5. Analysis and summary of adaptation impulses

***The aim of this section*** is to answer the first research question: *How do adaptations initiate in a triadic business relationship setting?* I will analyse the impulse types and sources. In the theory part (section 2.4) of this thesis, I defined them in the following way: Impulse sources explain *where* the impulses initiate. They are four: firms, dyadic relationship, primary business network, and macro network. Impulse types are endogenous when initiated by the firms or the dyadic relationships, and exogenous when initiated in the primary business network or the macro network.

*The major impulse behind the saving campaign was endogenous, originating from the industrial enterprise.* The internationalisation of the industrial enterprise's operations, and thereby the growing of business travel, motivated the starting up of the campaign. Travel management is an important support function for the industrial enterprise. Thus, it was one of the major saving targets.

The impulses for *the new sales channel* and *the change in the earning logics* were mainly *exogenous*, originating from *the primary network*. They were intertwined, and both enabled by technological development, as many of the interview themes are. (see Appendix 4 for the themes) They also relate to increasing competition in the travel industry:

It is not only the other business travel agencies that are our competitors. Today, everybody is a competitor with each other, airline companies and all the partners are competitors with each other. (Former travel agency, district manager)

The airline industry had been traditionally extremely regulated with national quotas on flight capacity and fixed prices. Along with *deregulation*, certain types of discount fares were allowed (Alamdari and Mason, 2002; Fridström et al., 2004; Lindstädt and Hauser, 2004; Alamdari and Mason, 2005; Mason, 2005; Mason and Alamdari, 2007). Furthermore, in the early 2000s, the re-evaluation of service suppliers' and business travel agencies' strategies and processes was needed due to fierce competition in the travel industry. *New entrants with new service concepts* (e.g. low-cost airlines and internet travel agencies) were another reason to look at the cost-structures. (Alamdari and Mason, 2005; Mason and Alamdari, 2007). Technological development facilitated the adaptations.

*External industry shocks* (wars, terrorist attacks, epidemics) decreased travelling, and created strong downward pressure on average fares and specifically on airlines' yields. The cost to the suppliers of linking their own reservation systems to the global distribution systems (GDS) was high, with a charge made by the GDS for every booking. (Fridström et al., 2004; Lindstädt and Hauser, 2004; Alamdari and Mason, 2005; Mason, 2005; Mason and Alamdari, 2007)

The impulse type for *the convergence of business and leisure travel* is exogenous. The source is the *macro network*, i.e. the changing consumption habits, and business travel becoming an everyday routine.

Table 10 summarises the impulse types and impulse sources and their motivators. The impulses were both endogenous and exogenous. None of them originated from the dyadic relationships.

**Table 10 Summary of the adaptation impulses.**

<i>Adaptation impulse</i>	<i>Saving campaign</i>	<i>New sales channel</i>	<i>Change in earning logics</i>	<i>Convergence of business and leisure travel</i>
Impulse type	Endogenous	Exogenous	Exogenous	Exogenous
Impulse source	Actor (industrial enterprise)	Primary network	Primary network	Macro network
Motivator	Internationalisation, Growing travel budget	Technological development, Competition, new entrants, Deregularisation, Industry shocks		Changing consumption habits

#### 4.4. Adaptation processes in the studied triadic relationship settings

*The aim of this section is to answer the second research question: How do adaptations spread over time in a triadic business relationship setting?* The adaptation processes due to the four impulses will be analysed in this section. The components of the process are the content, the nature and the progression of adaptation, referring to *what is adapted, how it is adapted, and how the process advances and spreads to concern the whole triad*. I will first give a description of the content, nature, progression, and spread of adaptations within each process. Thereafter, I will summarise the main findings.

##### 4.4.1. Content of adaptation

The content of adaptation refers to *what is adapted*. I will pay attention to the content of adaptations for two main reasons: First, to understand what adapting implies in practice, and second, to see if adaptation in the service sector differs from adaptation in the manufacturing sector. I have classified the content of adaptation into actors, resources and activities.

##### 4.4.1.1. Actor adaptations

Actors as a content of adaptation refer to actors as firms, thus, *adaptation in actors implies adjustments in organisational structures of the firms, and in the roles of the firms*.

When the industrial enterprise's travel management was organised to an international function in connection with *the saving campaign*, adaptations were required in organisational structures within all three actors. For example, in the business travel agency:

We were two persons [clerks] in the city office, then the travel manager wanted to have the travel agency here [in the buyer's premises]. (Travel agency, clerk)

In the industrial enterprise, establishing the travel management function was an adjustment in its organisational structures. Service suppliers operations were international, thus adaptations concerned mainly getting the preferred supplier status.

*The change in earning logic, together with the new sales channel*, forced the business travel agencies to adopt a new role in the triad, and to create new services for their clients, for example, *information provision and consulting* (travel agency, general manager). Also industrial enterprise got more involved in technology development. *Convergence of business and leisure travel* did not cause major actor adaptations.

#### 4.4.1.2. Resource adaptations

Adaptations in resources imply *human and physical investments*. Also *adaptations in human interaction* are regarded as resource adaptations.

In *the saving campaign*, the industrial enterprise took the control and coordination over the travel management process, and more employees were involved in the process. This concerned also business travel agencies and service suppliers, denoting adaptations in physical and human resources. More employees were involved in the process. For example, in the business travel agency's implant office:

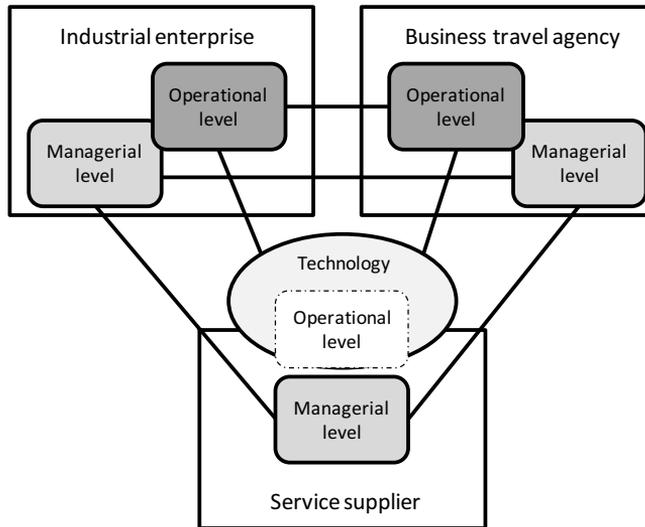
We were three to four persons, then we were nine, so it [personnel] expanded. (Travel agency, clerk)

For the travel agency clerks, delivering economy class tickets was more demanding and time consuming than delivering business class or first class tickets. Furthermore, dedicated account managers and sales managers were appointed. *This increased human interaction both internally and between the organisations*.

*The new sales channel*, in turn, led to adaptations because fewer employees were needed to handle the practical travel arrangement in the business travel agency and in service supplier organisations, because "*technology replaced employees*" (travel manager). As the travel manager points out:

Because today travelling is a 'mass movement', it would require a crowd of personnel to handle it both within the buyer and the business travel agency. (Travel manager)

An entire relationships level practically disappeared from the service suppliers, i.e. the relationship level where, for example, airline clerks answered to the travel agency clerks, or to customers' enquiries. Information was available on the internet, thus, the human interactions were partly replaced by technology, as is illustrated in Figure 34.



**Figure 34 Changes in human interaction.**

Besides accessibility to the different rates, business travel agencies started to offer different service concepts to their clients. They offer “high-touch”, “low-touch” and “no-touch” service delivery, and charge accordingly. The client does “no-touch” bookings him/herself. “High-touch” reservations may be more complicated, and require travel agency clerk’s expertise. “Low-touch” reservations position themselves in between high-touch and no-touch. This enables resource sharing between the travel agency and industrial enterprise in an efficient way. The present business travel agency, for example, provides booking tools for its clients according to the following description:

so it is actually that we provide them [corporate clients] with the tools that our agency is sitting with, but with a user-friendlier interface. There are of course some limitations, there are some things you cannot do yourself, which is regulated by law. But other things you can do precisely as if you are a real agent, but with easier commands. If you took a skilled agent, and give this tool to them, it would take them a little less time, because we use all these shortcuts and abbreviations, and things like that. As a non-agent, it’s not your core thing, so it should be more user friendly. (Present travel agency, Nordic manager)

*The change in earning logics* required adaptations mainly in back office functions. *The convergence of business and leisure travel* employed human resources when striving for cost savings.

#### 4.4.1.3. *Activity adaptations*

Activity adaptations denote *adaptations in services and service processes*. It implies also *adaptation in buying, delivery, and marketing strategies*.

In the *cost saving campaign*, the buyer changed its purchasing strategy from transactional to relational. As a response, the service suppliers and the business travel agency were willing to adapt their relationship strategies, and build long-term relationships. The travel manager rearranged travel management to being a global function. She analysed the industrial enterprise's needs, and created a strategy of how to meet these needs. As a result, a travel strategy was established, a travel policy where business travel was downgraded to economy class was implemented, and intranet for information was created:

then we got this project [to organise business travel], which was a part of a big saving-project, and we started to figure out where we could save money. We did some benchmarking, and noticed that we couldn't succeed without a travel manager...It was then that when we got these rules of travelling only in economy class. (Traveller)

Service suppliers adapted their services towards the industrial enterprise's downgraded travel. In the airlines, the number of economy class seats increased, and business class remained with fewer seats. Furthermore, the industrial enterprise's travel management process was identified, and the business travel agency and service suppliers' started to adapt their service processes accordingly.

*The new sales channel* was followed by a number of different adaptations that were quite naturally related to technology. Delivery became less expensive for the service suppliers, which facilitated adjustments in the services, i.e. new, less expensive fares, and fares that were only available on the internet. The buyer's purchasing process was reorganised when some of the bookings could be arranged by secretaries or travellers themselves by using direct booking tools. Furthermore, the advancements in technology enabled developing the travel management process.

Adaptations in strategy, i.e. purchasing, delivery, and marketing strategy are important forms of adaptation in the core triadic relationship settings. Specifically the industrial enterprise informants regard strategic fit of utmost importance. For example, the travel manager feels that service suppliers sometimes make strategic decisions without listening to their clients:

We are not ready to spend more money because of somebody [service supplier] makes strategic decisions that are unfavourable for us. That is the wrong strategy for our company. (Travel manager)

Due to the *change in earning logics*, the adaptations were mainly related to the service process, i.e. payment handlings, contractual terms, administrative routines, and other back and middle office routines. Airlines themselves introduced booking fees to their clients. Their adaptations concerned mainly internal procedures regarding back-office functions. Adaptations implied also strategic adjustments in the business travel agency's and suppliers' earning logics and delivery strategies.

*In the convergence of business and leisure travel*, the adaptations concerned mainly the core service offering, i.e. the flight rates and their rules. For the industrial enterprise and the business travel agency, the adaptations concerned also service delivery. The industrial enterprise adapted its buying behaviour and travel habits in order to take advantage of the cheaper fares directed to leisure travellers. This required adaptations from both business travellers and those making travel bookings. Travellers had to adapt their travel behaviour; to learn to plan their travel well in advance, and to use the tickets with different restrictions. Service delivery got complicated, and travellers and secretaries were trained to utilise these tickets. Business travellers' also learned to be flexible. The travellers were increasingly using services directed to leisure travellers, because the corporate rates were often more expensive:

We notice that there is no use in centralising purchase. Why do it when there are cheaper rates available? If it is possible for me to travel for 100 € to the same destination where I earlier travelled for 1000 €, with the same plane and time as before, I just have learned to use a ticket that I can't change... it is just a matter of learning. Everybody understands that it is not worth paying 900 € extra for the freedom ... we just have to learn to plan. (Travel manager)

The business travel agencies learned to do their best to excavate all the possible rate alternatives for their clients. For instance, they issued two tickets instead of one – and saved their client's money by doing so. The business travellers did not want to travel over the weekend, and the innovative way to use the tickets with the Sunday rule was to buy two return tickets that could be used crosswise:

And then the creative people found out that you could then use two tickets instead, one for the outbound and one for the homebound, and basically buy two journeys and in that way saving money. (Present travel agency, Nordic manager)

The number of no-show rates was high because travellers were not always able to use the flights they booked. The loophole in crosswise tickets was noticed in the airline companies, and they started to offer budget tickets with easier applicable rules. Furthermore, one-way budget fares were welcomed with open arms by the buyer organisation and business travel agencies. The Nordic manager points out that:

We see a tendency now that once more the airlines are creating fare types where you get rid of this system [crosswise tickets]. If you are away for only two days, for instance, you can do that in economy class in the same week and on one ticket only. (Present travel agency, Nordic manager)

#### 4.4.2. Nature of adaptations

The adaptation process may differ in the *scale and formality*, i.e. adaptations may be formal, and of a major scale, or informal, and of a minor scale. The *reciprocity* of adaptations may also differ, i.e. adaptations may be unilateral, mutual, or threefold. They may also be coerced or voluntary.

#### 4.4.2.1. *Adaptation scale and formality*

*The scale of adaptation refers to the scale and formality of physical and human resources invested in the relationships.* The perceived scale of adaptations may be defined based on the number of organisational units and key decision makers that participate in them. (cf. Brennan and Turnbull, 1999)

Adaptations due to *the saving campaign* were *large-scale investment processes within all the firms*. The saving campaign was the initiation of the relationships at the firm level. A great number of adaptations occurred, leading to a *socialisation process* of learning how to interact with each other (cf. Brennan and Turnbull, 1999) when many employees at different organisational levels within all three firms were involved in the process. Furthermore, small-scale tactical adaptations occurred at all the levels, denoting *political processes*.

The local travel agency that served the buyer before the saving campaign could not serve the industrial enterprise globally. Therefore, the industrial enterprise made contract with a business travel agency that belonged to an international alliance. The new business travel agency (i.e. the former business travel agency) had a call center in each of the countries where the industrial enterprise had a business site. International co-operation required extensive organisational rearrangements also within the preferred service suppliers. New contact persons, i.e. account managers and sales managers within the service suppliers' global organisations were involved. Many local business relationships in Finland and in other business sites were broken, and new ones were established.

The scale of adaptations due to *the new sales channel* may be characterised as a large-scale *investment process* for the service suppliers and the business travel agencies. The adaptations are constant, and require significant physical investments in technology. *The change in earning logics* required major adaptations in the business travel agencies' and airlines' strategies at the industry level. However, the change was industry specific, concerning all the buyer – supplier, and the buyer – business travel agency relationships in the primary network.

*The convergence of business travel and leisure travel* started as a *socialisation process* in the business travel agency – buyer relationship, where the business travel agency clerks discovered “the creative ways” to use the tickets directed to leisure travellers. This was later on established as an *evolutionary process*, leading to major changes in the business travel industry. For the airlines, this specific impulse meant *large-scale strategic investments* due to the extensive rate reform.

#### 4.4.2.2. *Reciprocity of adaptations*

In a triadic relationship setting, a firm can adapt unilaterally towards one or two actors, or there may be reciprocal adaptations in dyads. In triads, adaptations may be threefold. In a triad, a firm can adapt unilaterally towards one or two actors, or there may be reciprocal adaptations in dyads, or adaptations may be threefold when all the actors

make adaptations to benefit the common goals of the triadic relationship setting. Adaptations may also be voluntary or coerced.

*In the saving campaign*, the adaptation impulse came from the industrial enterprise. However, *the adaptations were voluntary and threefold*. All three firms saw the benefits of the rationalised processes, and they were motivated to commit to the relationships.

It was good when the client [industrial enterprise] got a travel manager who said how they would like to have it, what was good and what was not good. She had suggestions of how to make it easier for them to work. (Airline A, account manager)

Organising business travel purchase enhanced relationship orientation. The business travel agency and the suppliers were willing to make adaptations because the industrial enterprise is an attractive client with large purchasing volume. Well-organised travel management practices direct the purchase to the preferred contract partners. Thus, it was important for the service suppliers and the business travel agencies to create trust and commitment in order to get the preferred partner status. For the industrial enterprise, an important motivation for the adaptations was obtaining tangible benefits, for example cost savings, and economic efficiency that would help the industrial enterprise to reach its final goals. The industrial enterprise wanted to concentrate on its core competencies, to which business travel does not belong.

Building long-term relationships was possible when there was a contact person in the industrial enterprise. Specifically the service supplier informants highlighted the importance of a dedicated contact person:

It all started with the contact person [travel manager], it is difficult to start negotiating contracts without a contact person. (Airline A, director)

*The new sales channel* encouraged the industrial enterprise to put more demand on the former business travel agency partner's technological development. The increasingly complicated and fragmented distribution was the motivation, and the industrial enterprise required that the business travel agency should be able to find all the rates, easily and cost effectively, meaning that the supply has to be "*on one screen*" (travel manager).

Thus, it may be concluded that *the adaptations were both coerced and voluntary*. For the business travel agencies, the new sales channel was a threat, and adapting was a lifeline. For the service suppliers the new sales channel was a new opportunity, and adaptations were voluntary. The buyer as well, was willing to develop co-operation, and make adaptations, but on its own terms. Moreover, the adaptations were *threefold*. Adaptations were threefold also in the connection of the change in earning logics and the convergence of business and leisure travel.

*The change in earning logics was coerced*, because business travel agencies tried to fight against commission cuttings. The account manager at Airline A points out that:

We [airlines] were not very popular when we removed the commissions to travel agencies. Many of them thought it was the end for them. (Airline A, account manager)

*The convergence of business and leisure travel* is emergent, and the adaptations are ongoing. The buyer and the business travel agency primarily *coerced* the adaptations. According to the travel manager,

today travel is commonplace, it is like taking a bus...there are a lot of companies that see business travel as a tool, it is done businesslike and safe, but it does not have to be luxurious. This implies all the travel related services, car-hire, hotels, ferries, flights, and so on. (Travel manager)

#### 4.4.3. Progression of adaptations

The progression of adaptations explains *how adaptations occur*, implying *the phases of adaptation, and its spread in the triadic relationship setting*. In the following, I will concentrate on the progression of two of the adaptation processes: those initiated by *the saving campaign* and those by *the change in earning logic*. They were time-framed and carefully planned and coordinated processes with intrafirm and interfirm adaptations (see section 2.5.3). In these processes information exchange, negotiation, communication, and execution, as discovered by Canning and Brennan (2002), can be distinguished.

The remaining two processes, due to *the new sales channel* and *the convergence of business and leisure travel*, are evolving adaptation processes. They both have different periods of adaptations, whose progression is difficult to define, and divide into phases. Adaptation may evolve without planning and observable phases. Sometimes these adaptations develop to established practices, and they will be included in the controlled functions. An example is provided in connection with the convergence of business and leisure travel, where the travel agency clerks discovered an innovative way to use the economy class tickets. This was gradually implemented as a savings measure.

##### 4.4.3.1. Phases

###### ***Information exchange***

In the *cost saving campaign*, information exchange between three actors was intensive. The buyer appreciated the business travel agency clerks' expertise and their knowledge of the travellers' specific needs. The quality and the familiarity of the service personnel is regarded as essential (cf. Tyler et al., 2006):

They [travel agency clerks] understand our travel needs, which are very demanding... We don't want to be served by a call-center with 2000 clerks who serve all their clients. They do not understand the difference between our board members' and the mechanics' travel needs...we need to have a certain amount of clerks who know our company extremely well, they have to know the places we are travelling to, the factories, and so on. (Travel manager)

*The change in earning logic* was also a time-framed and controlled process. However, commission cutting was a part of the airlines' competition strategy. Thus, they all approached business travel agencies somewhat differently and with different timetables. An airline informant describes an information meeting with travel agencies in the following way:

It was one of the most difficult moments to inform about this [commission cuttings] in the meeting, but luckily the things were taken as such, and I told them already then that this is probably going to save you, because living on commissions when the flight rates, and other travel related services, are going to go down, is not profitable any more. (Airline B, director)

### ***Negotiation***

*In the cost saving campaign*, the business travel agency personnel felt they were left outside, when the travel manager started to negotiate directly with the service suppliers. They argued that there was a communication gap between them and the industrial enterprise, and also between them and service suppliers:

When service suppliers started to negotiate deals directly with the client [industrial enterprise], we in the travel agency felt a little like outsiders. We did not communicate with the service suppliers any more. In some companies, the travel agency takes part in the negotiations, but in our case it was not so. We just got to know later on what they had agreed, but we didn't take part in the meetings. (Travel agency, district manager)

Service suppliers agreed that getting direct access to the industrial enterprise was a new opportunity for them:

That was when service suppliers noticed that they [business travel agencies] could be passed by...Business travel agencies were at that time very jealous of so called direct contacts between end users and service suppliers. This caused anger at every level. (Airline B, director)

Regarding the *change in earning logics*, there was no genuine negotiation phase. The meetings concerned *informing* the travel agencies about the forthcoming change (see the airline B informant's comment related to the information exchange phase).

### ***Communication***

*In the saving campaign*, the daily service delivery was facilitated by the business travel agency clerks who were familiar with the industrial enterprise organisation, and the business travellers themselves. The new travel policy brought many changes for business travellers and travel agency clerks. The clerks were the ones to answer questions regarding changes in practical travel arrangements, and to receive a lot of feedback. Feedback was important, and specifically the end users' comments were crucial:

They [travellers] know how things work, or don't work. We [travel agency clerks] get a lot of feedback, its good. It is because of our long lasting relationships. It is easy for them to give feedback, both positive and negative. (Travel agency, clerk)

The communication patterns changed radically due to technology. Earlier, the telephone was a common booking tool. When talking on the phone, or face-to-face, the booking agents could ask for personal favours. For example, if the hotel was fully booked, a room could be arranged, or a waiting list could be bypassed (Hotel chain, sales manager). The travel agency clerk states that:

Today, all the information is in the computer...we very seldom have to phone to get further information or to get help. (Travel agency, clerk)

### *Execution*

*During the saving campaign*, the business travel agency clerks were central actors in executing adaptations in practice. The former business travel agency “bought” the clerks from the local travel agency, i.e. the clerks followed the industrial enterprise, which made the adaptations easier for all the parties involved, as the traveller states:

they have always followed us, these persons [travel agency clerks]. It is not that we would always have taken new clerks, first it was the local travel agency, then this one [the former business travel agency]...it is good service when you can always phone to the same person. (Traveller)

The saving campaign led to numerous new practices, and their execution got a lot of attention in interviews. A number of intrafirm adaptation processes in the industrial enterprise occurred. For example, the travel manager was appointed. The travel management process was organised in the industrial enterprise gradually, starting from Europe, and finally it was incorporated worldwide. Instead of a company credit card, business travellers were allocated a credit card with personal responsibility. The supplier base was reduced radically. The new travel policy was implemented with the help of the human resources department and the business travel agency. It was administered in the finance department, and a person responsible for travel management was appointed in each country. The travel manager was responsible for process development, and acted as a contact person for both external and internal functions of travel management.

In the industrial enterprise organisation, internal communication did not reach every employer, and the resistance to change was notable. Downgrading travel caused confrontations, and the new payment procedures did not please the travellers. The clerks were the ones who were in the firing line when forbidding the travellers to travel as they had been used to doing for years, and sometimes travellers got frustrated:

They [the travel agency clerks] had to face a lot, every time when something didn't work, the travellers blamed the travel agency. They thought all the changes were due to the new travel agency. (Former travel agency, district manager)

#### 4.4.3.2. *The spread of adaptation*

The spread of adaptation describes *the ways of how adaptations extend to incorporate the triadic relationship setting*. It is defined based on *who is, or who the initiators of the adaptation process are*. As defined in section 2.5.3.2, adaptation may be connected, derived, or agreed.

- *Connected adaptation* is initiated by any one of the three firms in a triad relationship setting, and it is responded to by the two other actors.
- *Derived adaptation* refers to an adaptation where the initiator is one of the three dyads.
- In *agreed adaptation*, the adaptations are planned and implemented in cooperation with all three firms.

### *The saving campaign*

Adaptations due to the saving campaign, were connected adaptations, i.e. they were initiated by the industrial enterprise, and responded to by the suppliers, and the business travel agency, one by one, as is illustrated in Figure 35. The shaded box denotes the initiator. The arrows describe the direction of the spread of adaptations, and the numbers 1 – 3 denote how the adaptations spread to concern the entire triadic relationship setting. The industrial enterprise negotiated contracts with the service suppliers, and with the business travel agency. The business travel agency was the one to realise the terms of the contracts between the suppliers and the industrial enterprise. The travel manager and the suppliers' contact persons informed the travel agency of the conditions of the contracts. Therefore, it is marked with the number three. All the three triadic relationship settings acted in a similar way.

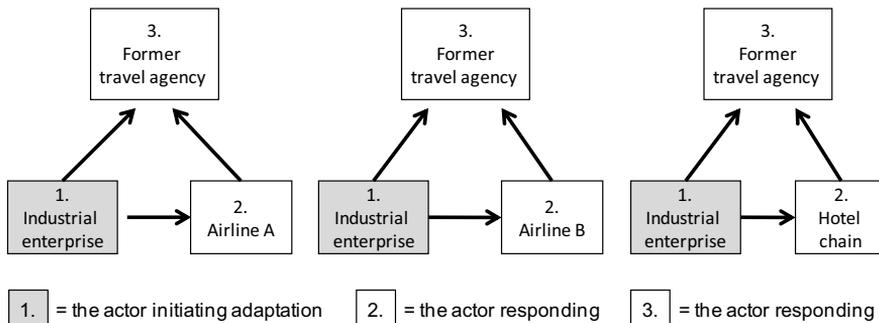


Figure 35 Connected adaptation initiated by the industrial enterprise (1).

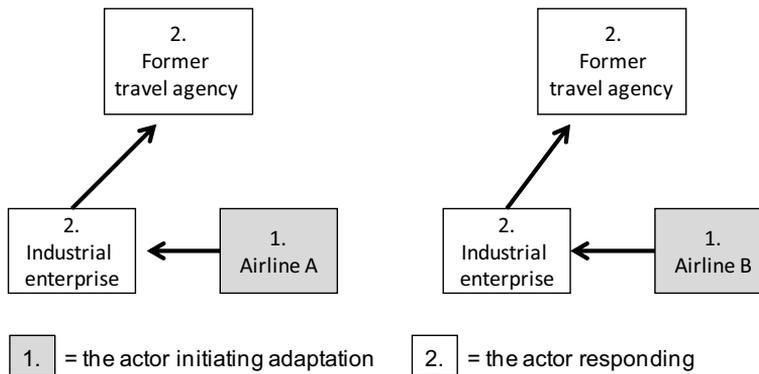
### *The new sales channel*

The development of new sales channels requires ongoing adaptations from all the three actors. A number of accumulating adaptation processes regarding, for example, service processes, booking solutions, and the entire travel management process are going on repeatedly, and, *instead of phases, the process of adaptation may be divided into several periods with ongoing adaptations and re-adaptations*. I will accommodate three sequential periods in this analysis, during which the adaptations are mainly connected and agreed adaptations.

**In the first period**, adaptations were *connected*. Service suppliers, specifically the airlines, were the initiators (see Figure 36). They were the most eager to take the opportunity to save distribution costs, and to bypass intermediaries, at least to some extent. Airlines offered internet bookings and internet fares to the industrial enterprise. In this phase, the hotels were not ready to offer internet booking solutions.

Figure 36 illustrates the spread of adaptation, where the airlines are the initiators and the industrial enterprise the one to respond. The shaded box denotes the initiator, and the

arrows describe the direction of the spread of adaptations. The numbers 1 and 2 denote how the adaptations spread to concern the entire triadic relationship setting. The business travel agency is marked with number 2 instead of number 3, because it was actively seeking solutions to respond to the airlines attempt to bypass them.

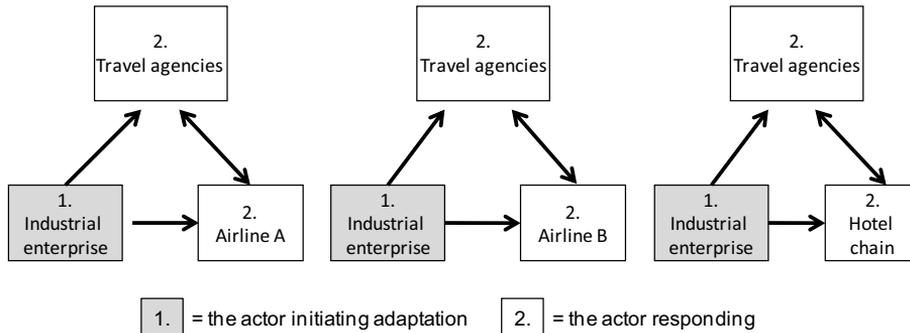


**Figure 36 Connected adaptation initiated by the airlines (1).**

The industrial enterprise was not ready to adapt to the suppliers' terms, because, according to the travel manager, they would lose time when "*surfing the internet*". The travel manager wanted to continue cooperation with the business travel agency, because she regarded the rate structure and the booking channels too fragmented and complicated. Furthermore, the industrial enterprise wanted to keep control over the travel purchase. However, the buyer is dependent as well on the suppliers as the business travel agency, which is a reason to go on with the second period of adaptations.

Also in **the second period**, the adaptations were *connected*. The industrial enterprise needed a booking channel that would facilitate the control of travel bookings and provide management reports to calculate the cost of travel. In other words, the industrial enterprise went on with the adaptation process by requiring adaptations in booking technology from the business travel agency and the suppliers. The former business travel agency failed to offer a solution that would have satisfied the industrial enterprise. This led to the end of the relationship, and the agency was replaced with the present business travel agency. It led to co-operation in booking channel development to be applied in simple point-to-point travel, which is a self-booking system that allows the buyer to keep control over their travel purchase.

In this phase, there was co-operation with the hotel chain as well, even though on a much lower scale. Figure 37 illustrates the spread of adaptation. The arrows and the numbers 1 – 2 describe the direction of the spread of adaptations.



**Figure 37 Connected adaptations initiated by the industrial enterprise (2).**

In the **third period**, co-operation has increased, and adaptations are mainly *agreed*. Adaptations in booking technology and the travel management process are ongoing. The buyer wants to support the travel agency's technological development also financially:

We are willing to pay the travel agency for their technological development. When we get, for example, these kick-backs from Amadeus (GDS, Global Distribution System, see section 4.3.2), we don't need them; we are willing to give them to the travel agency so that they can develop their own systems, because it has an impact on our prices. (Travel manager)

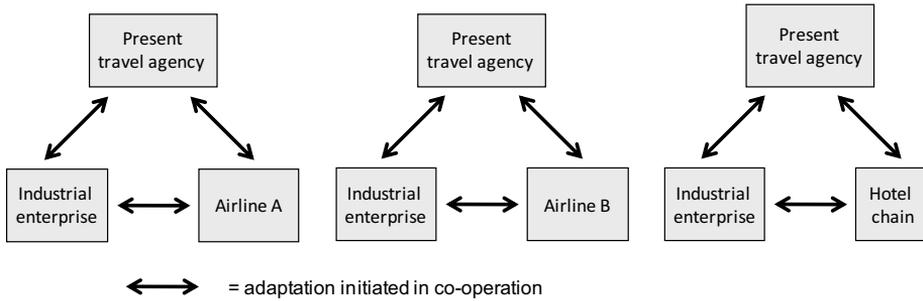
Adaptations in technology imply integrated data solutions. Because the process of adaptation is ongoing, it naturally requires constant implementation of new solutions that replace the old ones. This involves all the actors taking part in the travel management process. Service suppliers feel responsible for developing their own information technology in order to make co-operation easier both for the business travel agency and for the industrial enterprise:

Our role as a generator of the different systems is very important in order to make it easier for the client company's budgeting and also in order to make the travel agency's work easier. (Airline A, account manager)

According to the travel manager, the ideal situation would be if,

all of us [the actors involved in the travel management process] would be in the same database...creating standards instead of developing our own solutions. (Travel manager)

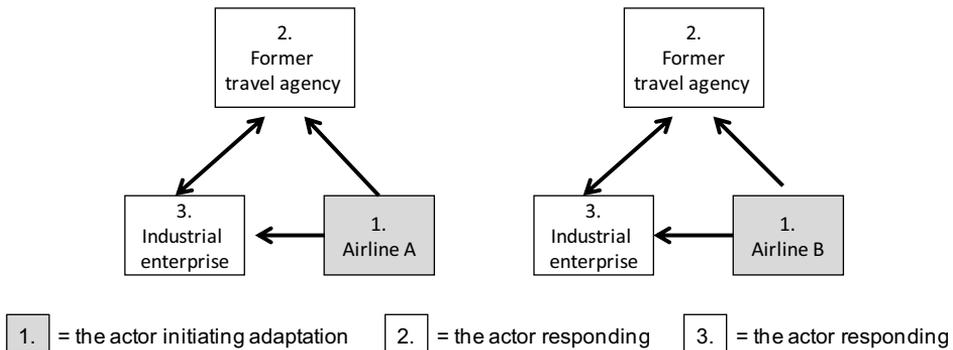
Agreed adaptation is illustrated in Figure 38. The three actors are co-operating to make the travel management process work. The hotel chain sees also the benefits of technological development to make the booking procedures more proficient and cost-efficient. However, a great deal of the hotel bookings are still made directly with the hotels.



**Figure 38** Agreed adaptation.

### *The change in earning logics*

Change in earning logics led to *connected adaptations*, and were initiated by the airline companies, and responded to by the business travel agencies and the industrial enterprise in co-operation. For the hotel chain, this specific adaptation was of minor scale. In Figure 39, supplier initiated adaptation is illustrated. The arrows and the numbers 1 – 3 describe the spread of adaptations, and the shaded box denotes the initiator. At the time of change in earning logics, the present travel agency did not have a relationship with the industrial enterprise; therefore, it is excluded from the illustration. Furthermore, the hotel chain is excluded, because the impulse was originated primarily by the airlines.



**Figure 39** Connected adaptation initiated by the airlines (2).

### *The convergence of business and leisure travel*

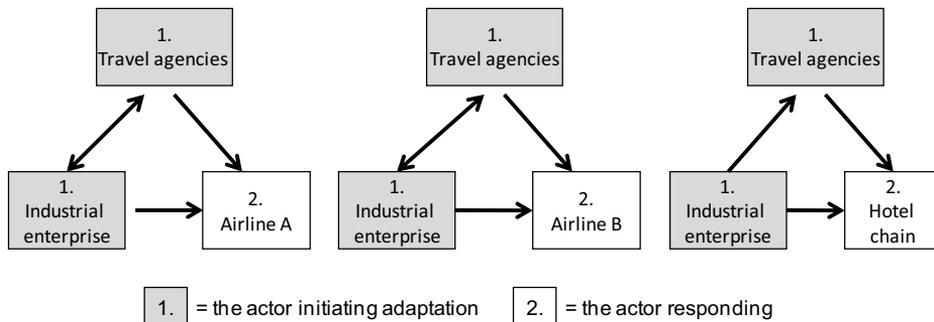
The adaptations due to the convergence of business travel and leisure travel were emerging with periods of adaptations and re-adaptations, like in connection of the new sales channel. Two sequential periods can be distinguished. Generally, suppliers are

expected to adapt to the buyers' needs (Brennan et al., 2003). However, in the core triad, **the first period** of the adaptations was initiated with the industrial enterprise's adaptation to the suppliers' service offering, as Figure 40 shows. This was done with the help of the business travel agency by using tricks to utilise the cheaper airline tickets that were directed to leisure tourists.

The industrial enterprise made a coalition against the airlines with the business travel agencies. The hotel pricing was not as complicated as that of the airlines, and the need to "fight" them with a coalition formation was not so big. Therefore, in the Figure 40, the arrow from the industrial enterprise points only to one direction in the triad with the hotel chain. However, leisure tourist's rates were used in the hotels as well.

The industrial enterprise and the business travel agencies perceived that suppliers did not respond to their requirements. Furthermore, the service suppliers had different perceptions of the client's needs than the client itself. An additional constraint for the airlines to adapt was the restrictions by the competition authorities:

We are too often forced to tell our corporate buyers and business travel agencies that we would like to offer something, but the competition authorities don't allow us. Sometimes it is hard for the travel agencies to believe it. (Airline B, director)

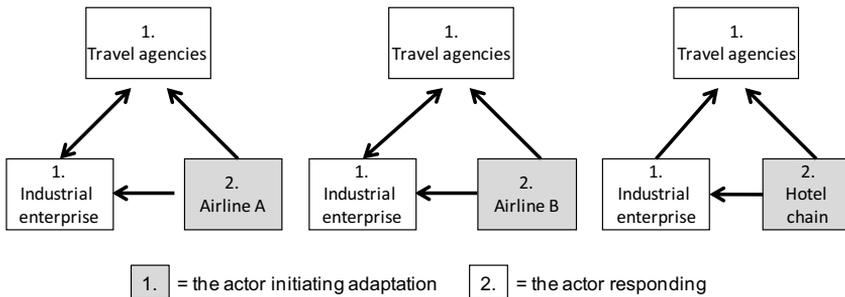


**Figure 40** Derived adaptation initiated by a coalition of the industrial enterprise and the business travel agency.

However, in **the second period**, the suppliers adapted their services to the industrial enterprise's and the business travel agencies needs by creating new rate structures that were more beneficial to the buyer. This, in turn led to adaptations in the business travel agencies delivery terms, in the industrial enterprise's contract terms, and in the ways of using the rates (see Figure 41).

The motivation for the buyer to coerce adaptations was cost savings. This adaptation process highlights the contradicting goals for the actors in the triad: by providing cheaper travel to the client, the supplier's revenues go down. Ultimately, for the airlines,

this specific adaptation process had to do with the balancing of the adaptations at the relationship level and macronet level (cf. Figure 1).<sup>31</sup>



**Figure 41** Connected adaptation initiated by the suppliers.

#### 4.4.4. Summary and analysis of the adaptation processes

In this section, I will summarise the four adaptation processes, which were the consequences of the adaptation impulses. The section is divided into three parts, which are summarised in the Table 11: (1) the content and scales of adaptations, (2) reciprocity and voluntariness of adaptation, and (3) the spread of adaptations.

##### 4.4.4.1. Content and scale of adaptations

The saving campaign, the new sales channels, and the change in earning logics required both major and minor actor adaptations within all the firms, and in their activities and resources. Even though technology played a major role, there was need for human interaction. When technology replaces employees, those who are left need to adapt:

Technology is a good instrument when developing processes, rationalising functions and taking care of routines, but it never replaces human beings. (Travel manager)

All four processes described have features of an *investment processes*. The saving campaign may be regarded as an investment process with large-scale strategic adaptations for all three firms. The new sales channel as well implies large scale investments for business travel agencies and for the suppliers, and minor *political processes* for all the firms. However, it may be noted that the investments made in technology may benefit also their other clients. For the industrial enterprise as well, the self-booking tools and the travel management process integration led to investments, but

<sup>31</sup> It should be noted that these adaptations concern not only the current relationships. The buyer association, the Finnish Business Travel Association (FBTA) used its collective power to persuade airlines to change their pricing (personal communication with the managing director of the FBTA, 20.3.2009).

when they are related to the investments in its core operations, they remain minor in scale. Technological adaptations in all the firms, specifically airline companies and business travel agencies, may be of the largest scale. They are also those that bind the firms together. The saving campaign was also a *socialisation process*, because there were many new business partners who learned to cooperate. All the processes include some kind of *political adaptation processes* with relatively minor tactical adaptations. The two evolving processes, the new sales channel and the convergence of business and leisure travel have features of an *evolutionary process* with tacit adaptations emerging as the accumulation of small changes that create large adaptations.

**Table 11 Summary of the content and nature of adaptations.**

	<i>Saving campaign</i>	<i>New sales channel</i>	<i>Change in earning logics</i>	<i>Convergence of business and leisure travel</i>
(1) Content and scales				
Actors	Organisational structures	Roles	Roles	No remarkable actor adaptations
Resources	Physical and human <i>Human interaction</i>	Technology Physical and human resources <i>Human interaction</i>	<i>Human interaction</i>	<i>Human interaction</i>
Activities	Purchasing, marketing, delivery strategies. Services and service processes	Purchasing, marketing, delivery strategies. Services and service processes	Service processes Delivery strategies Purchasing, marketing, delivery strategies.	Services and service processes Delivery strategies
Scales	Investment Socialisation Political	Political Investment Evolutionary	Investment (TA) Political/ investment (AL) Political (IA)	Investment (AL) Evolutionary Political
(2) Reciprocity and voluntariness				
Reciprocity	Threefold	Threefold	Threefold	Mutual Threefold
Voluntariness	Voluntary	Voluntary/coerced	Coerced	Coerced
(3) Spread				
Phases	Information exchange, negotiation, communication, execution.	Evolving	Information exchange, negotiation, communication, execution.	Evolving
The ways of spread	Connected adaptations (IA initiated)	Connected adaptations (AL initiated)  Connected adaptations (IA initiated)  Agreed adaptations	Connected adaptations (AL initiated)	Derived adaptation (TA and IA initiated)  Connected adaptations (SS initiated)
Adaptation chain	Actor Resource Activity	Actor Resource Activity	Actor Resource Activity	Resource Activity

TA= travel agency, IA = industrial enterprise, SS= service supplier, AL= airline, SS = service supplier.

#### 4.4.4.2. *Reciprocity and voluntariness of adaptations*

The adaptations analysed in this study are mainly *threefold*, i.e. all three firms adapt to each other in order to benefit the common goals of the triadic relationship setting. When the adaptation process continues, and the aim is to reach a profitable solution in the frames of existing relationships, some degree of mutuality will generally be reached. However, when multiple perspectives are applied, contradictory opinions of the scale and mutuality of adaptation may occur. Adaptations made by an organisation itself may generally be perceived to be of a larger scale than those of its counterparts (cf. Brennan et al., 2003). For example, regarding the convergence of business and leisure travel, the business travel agency and the buyer criticise service suppliers for the complicated rate structures, as the following quotation shows:

Corporate fares have been useful for a period of time, but now we see that typically they are based on flexibility, which is fine, of course. But it has its costs. And if a company has a policy saying you need to travel as cheaply as possible, you need to plan, because planning is the golden key to making savings. (Present travel agency, Nordic manager)

The airlines, believe that accessibility and flexibility are the client's major criteria when selecting flights,

from the corporate buyer's point of view, the accessibility decides what is the best rate for them...Corporate buyers want to have inexpensive rates...but with inexpensive rates you don't get the flexibility, and the accessibility varies flight by flight. (Airline B, director)

In the hotel sector, the corporate rates are valid seven days a week. However, the weekend rates are usually cheaper, but with stricter rules, and less benefits, which sometimes lead to confrontations, for example:

Sometimes the corporate buyers think they can get the cheaper rate, but with all the positive benefits the corporate rate includes. (Hotel chain, sales manager)

Power distribution has an impact on the voluntariness of adaptations. The travel agency informant agrees that,

it is the industrial enterprise who steers this boat. (Present travel agency, Operations manager), because,

they [corporate buyers] were the ones to make the decision that we wouldn't travel business class any more. And if it had been up to the airlines, the economy class would have disappeared. (Present travel agency, Nordic manager)

As stated earlier, the adaptations during the saving campaign made it possible to establish long-term relationships, and this was what all the actors were willing to commit to, denoting *voluntary adaptations*. Adaptations due to the new sales channel went through *voluntary and coerced periods*. However, ultimately, there was the desire to develop the travel management process, and service delivery with the help of technology. Some degree of coercion may be noticed when the new solutions were proposed to the buyer, and in the way that the industrial enterprise demanded solutions to better fit its own needs. However, the industrial enterprise restrained the use of power in order to find ways to develop travel management.

Change in earning logic was *coerced* from the suppliers to the business travel agency. Commission payments were removed with no discussion about its fairness. In its first period, adaptations due to the convergence of business and leisure travel between the business travel agency and the industrial enterprise could be called *mutual*. In general, all the adaptations were to some extent *threefold*.

The convergence of business and leisure travel has also features of *coerced adaptation*. The roles were “reversed”, because it is generally the supplier who is supposed to adapt to the buyer’s needs. This process also features *coalition formation*, when the adaptations were coerced by the buyer and business travel agencies. However, the major rate reform was inevitable for the suppliers. They need to understand the changing consumer behaviour in order to earn profits from a service that is perishable, such as an airline seat or a hotel room. Thus, even without coercion from the buyer’s and the business travel agency’s side, they would have been forced to adapt their pricing. When the adaptation impulse is exogenous, such as the convergence of business and leisure travel, using power does not necessarily lead to the desired result. There may be disagreements about the need for adaptations, or the adaptations are for some reasons impossible to accomplish, for example because of the restraint of competition, as noticed in the analysis.

#### 4.4.4.3. *Spread of adaptations*

Within the saving campaign, relationships were established with *connected adaptations* that followed through the whole travel management process. The adaptations, due to the new sales channel, implied *connected and agreed adaptations*. Change in earning logic caused *connected adaptations*. Convergence of business and leisure travel consists of two periods, of which the first implies *derived adaptations* coerced by the industrial enterprise and the business travel agency. The second period contains *connected adaptations* when the business travel agency adapts its delivery to be able to employ the new rates.

*The spread of adaptation reveals interesting differences in the connections (direct and indirect connections), between the same firms in different situations, and even during the same adaptation process.* In the saving campaign, contracts were negotiated between two actors, between the industrial enterprise and service suppliers, and between the suppliers and the travel agency. The travel agency felt it was excluded from the triad when it did not get all the information. Due to the new sales channel, connections varied from indirect to direct, and the agreed adaptation is featured by direct connections and direct communication. Change in earning logic implied indirect connections, as well as the convergence of business and leisure travel.

Furthermore, it is interesting to notice that in the two evolving processes, in the new sales channel and the convergence of business and leisure travel, it was impossible to distinguish the phases of information exchange, negotiation, communication and execution. Instead, *these processes had evolving periods*.

### *Adaptation chains*

The content of adaptation was included in the analysis because I was interested to know if there are differences in adaptation in the service industry compared to the manufacturing industry. I discovered *the adaptation chain*, which occurs due to the process nature of services. Adaptation chain describes the spread of adaptation at actor, resource and activity level.

Adaptation impulse generally sets in motion an adaptation chain, or several *adaptation chains*. The activities are linked to each other, and usually coordinated and adapted to fit the other actor's activities, and a change in one activity can be expected to have an impact on the other activities (Rosenbröijer, 1998). Figure 42 provides a simplified illustrative example of an adaptation chain that goes through the whole travel management process. The impulse is the saving campaign which leads to the *activity adaptation chain*. The content of adaptation is a service, i.e. the flight. In order to save in costs, the industrial enterprise decides to downgrade travel from business class to tourist class. The dark circles in the middle describe the *activity* that is adapted. The elliptical shapes in the innermost circle indicate *the adaptations made by the industrial enterprise*. Rectangular shapes outside the activity circles denote the *travel agency's adaptation*, and finally, the pentagon shapes illustrate *the service suppliers' adaptation*. The adaptation chain may develop in the following way:

- *Travel arrangements* become more time consuming both for travel travel agency clerks and employees in the buyer organisation. More personnel, and/or more advanced technology is needed.
- *The trip* may become longer due to minimum stay requirements that the tourist class tickets have.
- *Payment terms* may become stricter, because generally the cheaper the ticket, the more restrictions regarding advance payment and reimbursement.
- *Management reporting*. The industrial enterprise may implement stricter follow-up procedures to ensure that cheaper tickets are used. Out of policy reporting is required from the business travel agency because of possible misuse.
- *Travel settlements*. The daily allowances paid by the industrial enterprise may increase due to longer stay in the destination (minimum stay requirements). It may also lead to higher occupancy rates for hotels, which in turn impacts personnel recruitment.
- *Review and analysis* of travel costs may reveal reductions in flight costs. However, hotel costs and total travel costs may increase. For airlines and for business travel agency this may lead to declining profits.
- *Planning*. Tourist class travel influences the quality and security of travel, which has to be taken into account in planning. For example, long waiting times in airports are security risks. Long flights in tourist class may also reduce the

business traveller’s work efficiency at the destination. Airlines may need to reallocate plane seating.

- *Travel policy.* Purchasing and delivery strategy, and personnel policy may need to be updated. The business travel agency usually takes part in monitoring and communicating the changes in travel policy to the travellers.

A similar kind of adaptation chain may be activated by any adaptation impulse. Figure 42 illustrates *an activity adaptation chain*. Resource adaptation, for example a new self-booking solution, and actor adaptation, for example a change in the industrial enterprise’s organisational structures, may activate *resource adaptation chains* and *actor adaptation chains*, respectively. Every adaptation chain involves a number of departments and individuals within all the firms.

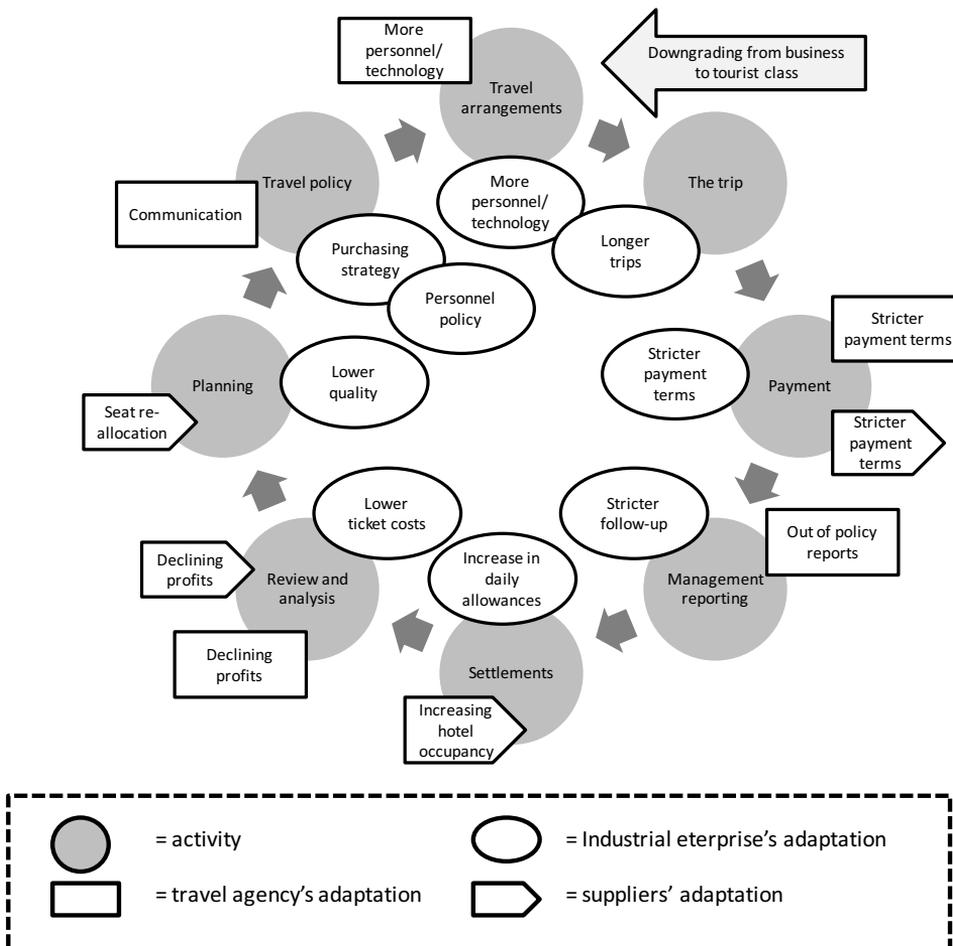


Figure 42 An illustrative example of an activity adaptation chain, simplified.

### ***Primary and secondary adaptations***

Schmidt et al. (2007) discovered “secondary adaptations”, which are dependent on existing adaptations. They found that adaptations in human resources were made only after a firm has already made other adaptations, including logistics, products and production. However, in the current case study, *adaptations in services and service processes may not be possible without adaptations in organisational structures and human interaction.*

An adaptation chain generally starts with *human interaction*. Human interaction is important in all the phases of the travel management process, and specifically in new relationships. In the connection of the industrial enterprise’s saving campaign, the first adaptations occurred in the organisational structures, specifically in physical and human resources in order to be able to agree upon adaptations in the service processes. In the service context, where the service process is at the focus of the co-operation, it cannot be adapted without having a contact person to discuss the needs and requirements regarding the service. *Thus, adaptations in organisations and in human interaction are primary adaptations and not secondary adaptations.*

An important element in human interaction is communication and learning. This implies products as well as services. However, communication and learning may be of even greater importance in the service context. The buyer is a more active participant in the process, and needs more information in order to be able to use the service. Travel management is complicated by the fact that the end user is not directly involved in planning the service processes. Thus, every adaptation chain includes a lot of communication and human interaction, specifically in the beginning in order to make all the involved parties aware of the adaptations.

For the continuance of the relationships, and the quality of them, the adaptation process itself is at least as important as its outcomes. The ups and downs during the process were always at the forefront of the minds of the informants. For example, the actors may perceive that they were not listened to, or not involved in the process (for example in the saving campaign). This gained more attention than the fact that the process ended up positively. Thus, *the importance of involvement, communication and information sharing is significant.*

#### **4.5. Adaptation outcomes in the studied triadic relationship settings**

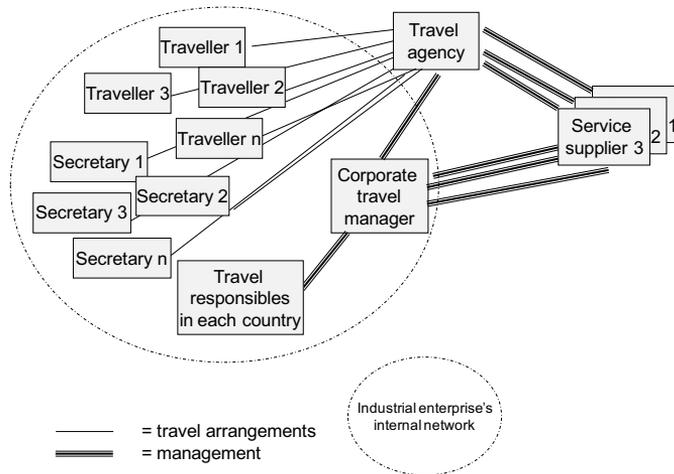
*The aim of this section is, to answer the third research question: How do adaptations change the structure of a triadic business relationship setting, and the nature of its relationships?* I will discuss the adaptation outcomes for firm-actors (actor outcomes), for the dyadic relationships (dyad outcomes), and for the triadic relationship settings (triad outcomes). Like the proceeding sections, also this section builds on the four adaptation impulses. Actor outcomes are first discussed within each of the adaptation impulse. Thereafter, dyad and triad outcomes are analysed. Finally, a summary will be provided.

#### 4.5.1. Actor outcomes

Actor outcomes are related to the core firms. They may be positive or negative. *Positive outcomes may help the firm-actors to reach their goals, and negative outcomes may restrain reaching them.*

##### 4.5.1.1. The cost saving campaign

During the cost saving campaign, *the industrial enterprise's* actual travel costs turned out to be much higher than estimated. However, with the measures taken during the process, the industrial enterprise managed to cut down its travel costs even though business travel increased. The goals set for the saving campaign were reached, and a globally centralised travel management network was created together with the new business travel agency partner that belongs to an international alliance, and the preferred service suppliers (See Figure 43). The industrial enterprise started to coordinate and control the travel management process, and both internal and external relationships within it. The decision power moved from travellers to the industrial enterprise. The savings are obtained by centralising purchasing, and standardising operations, which means less freedom for the individual travellers.



**Figure 43 International travel management network.**

For the *airlines*, the saving campaign led to reducing yields, because they sold each seat at a lower price:

When business travel was downgraded from business class to economy class, our yield went down, of course. It led to a saving campaign for us as well. (Airline A, account manager).

The travel manager negotiated contracts with the *hotel chain*, and concentrated some of its purchase on it. This brought more clients to some of the hotels, even though there were some lower, agreed room rates.

For the *business travel agency*, downgraded travel meant reduced incomes because commissions were based on ticket price. Generally, growth in traffic volumes would have a positive impact on the travel agency's income. Earlier, business class and first class passengers were the major source of income and the growth in that sector would affect their income much more than the growth in economy class.

#### 4.5.1.2. *The new sales channel and the change earning logics*

Actor outcomes of the new sales channel, and the change in earning logics were intertwined. They may be regarded as positive for all the actors, because they straightened the processes, and reduced the booking and distribution costs. Technology development enabled commission free rates.

When the *business travel agency* earns its profits from the industrial enterprise, and from the other client organisations, it sees itself as an information provider and supervisor of their clients' interests. When the business travel agencies are not paid by service suppliers, they can be more convincing when saying the advice they give is neutral, and for the industrial enterprise's best:

We have been in the industry where we used to receive our payments from our suppliers, and we have seen the change over the last couple of years ... we personally feel it is the right way forward. We see our role as that of an adviser. (Present travel agency, Nordic manager)

Even though the business travel agencies regarded them as threats, the new sales channel, and the new earning logics turned out to be beneficial specifically for them. They were a source of innovation for creating new services and new ways to serve their corporate clients. The business travel agency's role changed dramatically. Instead of being a "ticket dealer" (former travel agency, general manager), they regard themselves as a marketplace. The change in the business travel agency's role is best described in the travel agency informant's own words,

there are a lot of possibilities for companies to book. But we still see the travel agency as the marketplace. You can go to the market and you can look at the various tables and see where you want to buy your vegetables. Where do they look the best and where are the prices best? You can do that by making comparisons, but you can only do that on the market. But if you leave the market and go down into the smaller streets where there are specialist shops, you can find a good price, but they won't tell you if the shop next door has a similar product put at an even better price...to find out, you would have to spend time looking at all the different small shops. And we see it the same way, that when you need a trip from A to B and back again, you need to find out how to do it in the most efficient and convenient way. Well, we can go to airline a, and then go to airline b and ask what the price is. Of course, it takes you some time to get used to the process. Also, there is, of course, the question about money stream. You may need a travel account with airline b, a card with airline a, and so on. But if you used an agency, there is, so to say, only one stop shopping; it is a password. I think it is really a good idea. We see ourselves as a marketplace and that is what we are being paid for nowadays. (Present travel agency, Nordic manager)

When the business travel agency started to charge service fees, it had to open up the rate structures for the industrial enterprise. Knowing how the costs are structured means that the costs may be challenged, and the industrial enterprise was able to get value for money. This, however, required that the buyer was knowledgeable because,

we [in the industrial enterprise organisation] have to understand what they [in the business travel agency] are talking about so that we can commit ourselves...it is good to have good co-operation, but it can't be based on their understanding only. (Travel manager)

The industrial enterprise is prepared to pay the service fees, but it also requires value for the money. According to the travel manager:

If you call yourself a business travel agency, you have to have something to give, something that the buyer is willing to pay for. If you have nothing to give, it does not mean that you should make your transaction fees lower, or develop the technology, or get the moon from the sky. It means that you have to have something concrete to offer the buyer, something that is worth paying. If you don't have it, you don't survive. (Travel manager)

Simultaneously with the commission cuttings, competition pushed the flight rates down, and a percentage-based commission would not have been favourable for the business travel agency anymore. A predetermined service fee ensured the business travel agency's earnings. Ultimately, the new earning logics saved many travel agencies' lives, because,

flight fares have gone down by 30 % during five years. If we were still getting sales commissions, our revenue would also have gone down by 30 %. (Former travel agency, general manager)

7 % on today's ticket fare is much less than it was in 2000. Now they [travel agencies] are earning the same money, no matter if the ticket costs 40 € or 400 €. (Airline B, manager)

The business travel agency became less dependent on service suppliers. Commission free sales clarified the rate structures, and made the competition between travel agencies more straightforward. The override commissions, i.e. the additional commissions the airlines paid when the business travel agency achieved a certain volume, were also eliminated:

At those times when all the airlines had different commissions, it was unclear... Many travel agencies probably gave away [to the client firms] a big part of their commission to be able to keep a client. (Travel agency, clerk)

For the *industrial enterprise*, the adaptations were profitable, because of the increased transparency in the rates, which, in turn, made cost control easier:

Removing sales commissions was not at all a bad thing... It all became clearer and fairer for the clients, when we have the zero-line, and know where to start. (Travel agency, clerk)

For the suppliers, specifically for the *airlines*, commission cuttings and advancements in booking technology naturally meant reducing distribution costs. However, they still needed business travel agencies as a distributor. As stated earlier, the *hotel chain* was less dependent on distributors, and the actor outcomes were not as remarkable as with the airlines. However, also hotel distribution advanced along with the new technology.

#### 4.5.1.3. The business and leisure travel convergence

Earlier in the analysis, I divided the convergence of business and leisure travel into two periods. During the first period, the business travel agency sold crosswise tickets, i.e.

they issued two tickets, of which the traveller used one for the outbound and one for the homebound journey. In this way they could bypass the minimum stay requirements. Issuing those tickets was time consuming, and the clerks found it frustrating. However, this established a practice that caused problems for all three actors:

their [airlines] price politics has led to crosswise tickets, even though nobody likes them...airlines do not want to sell them...it makes no sense. (Travel agency, clerk)

*Travellers* were aware of the risks when buying crosswise tickets. Sometimes the tickets – and the savings ended up in the dustbin, and the industrial enterprise's money was wasted. The traveller illustrates this by pointing out that:

We can use the crosswise tickets quite efficiently. However, quite often the other half of the ticket ends up in the dustbin because you were not able to plan, and there was the wrong date on the ticket. (Traveller)

Furthermore, sometimes the other ticket was a fake ticket, and it was issued only to save money. Cancelling the fake tickets would have been a laborious for business travel agencies, and so they decided not to do it. This, in turn, led to a number of no-show seats on the planes. This did not please travellers who were told that the plane was fully booked, thus damaging the *airlines* reputation. The operation manager points out that,

we as an agency have decided that when we book these [crosswise] tickets we don't cancel the fiction ones, because we see it this way that the client has actually bought a product that can be used. Weather the client is going to use it or not, that's not our business. So we book it and leave it there. And this is of course not very popular among the suppliers, because they have all these no-shows. But there again, we see it this way, if they have been paid for these seats, they shouldn't cry over it. But what they want to do, of course, is sell the same seat twice. (Present travel agency, operation manager)

When the agreed corporate rates started to overrun the general rate level, the *industrial enterprise* perceived that its purchasing power and commitment to the preferred suppliers were being neglected. Thus, the simpler rate structure and the inexpensive rates were regarded as positive.

For the *hotel chain*, the industrial enterprise's tendency to book leisure and weekend rates for business clients caused confrontations. Business travellers were not always aware of the differences in the services included in the rates, and required higher quality services but with a lower price.

#### 4.5.2. Dyad outcomes

Dyad outcomes may be generative or degenerative. *Generative outcomes mean stronger actor bonds, resource ties, and activity links between two actors, and degenerative outcomes denote the opposite. The relationship can also remain unaltered, or it can end, if the bonds, ties and links at the organisational level cease to exist.*

In the following, the dyad outcomes are analysed in connection to each of the four adaptation impulses. All the dyads will be discussed to some extent, even though it is impossible to include all the nuances in the analysis. Some figures with plus signs, minus signs, and zeros are created to illustrate to which direction the relationships

develop. It should be noted that the meaning of these figures is not to measure the findings, but to give a general picture of the dyad outcomes.

#### 4.5.2.1. *The cost saving campaign*

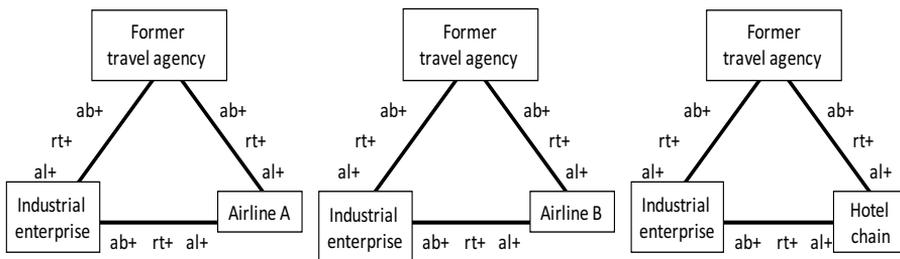
As stated earlier, the cost saving campaign and the change in the industrial enterprise's purchasing strategy did not have a directly favourable impact on the service suppliers and on the former business travel agency. However, they all saw the benefits of the long-term co-operation. In all the dyads, long-term commitment led to increased *interdependency*: the choosing of preferred partners, developing co-operation between the travel manager, dedicated account managers and sales managers, creating trust and commitment both at the organisational and individual levels:

partnership brings the firms closer to each other. You bind yourself to one firm, to one service supplier, you chose the airline. (Former travel agency, manager)

Contract negotiations were tight with hours of discussions. With the help of these intensive interactions, strong *actor bonds* were created between the three actors (see Figure 44: ab+, rt+, al+):

When the situation is challenging, there is a lot of discussion... It is not only about putting your name on the paper, but there are a lot of discussions, which strengthen the relationships, also personal relationships. (Hotel chain, sales manager)

During the information exchange phase (see section 4.4.3.1), the business travel agency informants felt that they were left outside. However, in the execution phase, the clerks played a significant role, and interaction with the travellers and those making bookings for them, increased greatly. Travel management process became the primary activity chain performed in co-operation, and resources were shared to make this chain work efficiently. Thus, *resource ties* and *activity links between all the actors* emerged (Figure 44: rt+, al+).



ab = actor bonds; rt = resource ties; al = activity links  
+ = stronger bonds/links/ties

**Figure 44** Saving campaign, dyad outcomes.

Ultimately, the changes in the nature of the dyadic relationships were *generative*. For the service suppliers and for the former business travel agency, getting the preferred partner position was important. For the industrial enterprise, it was crucial to find reliable partners to take care of the important travel management process.

#### 4.5.2.2. The new sales channel

Adaptations regarding the new sales channel turned out to be the turning point in the relationships between *the industrial enterprise and the former business travel agency*. The relationship ended, as noticed earlier in the analysis, meaning that *actor bonds*, *resource ties*, and *activity links* at the organisational level ended (see Figure 45: **ab**, **rt**, **al**). However, the travel agency sales clerks stayed with the industrial buyer. Thus the social bonds that had been created at the individual level continued (cf. Havila and Wilkinson, 2002). The other two dyads remained unaltered (**ab0**, **rt0**, **al0**). Thus, there were both *ending* and *unaltered* relationships, as illustrated in Figure 45.

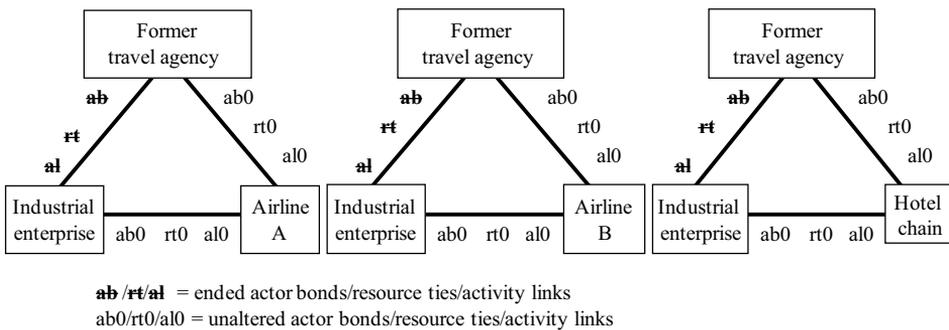


Figure 45 New sales channel, dyad outcomes (1).

Because of the fragmented distribution channels, travel purchase became extremely complicated for the industrial enterprise. The business travel agency's value in the distribution network was re-evaluated, and *actor bonds between the present business travel agency and the industrial enterprise became stronger*. Advanced technology was the key to success for the business travel agency, as the travel manager states:

and then we got these internet rates, and the value of the travel agency returned to the same level it was in the 1980s when they were able to find all the best rates for their client, provided that they had the right equipment [technology]. (Travel manager)

The business travel agency informant confirms that,

because of the jungle of rates, we are needed even more than earlier. (Former travel agency, district manager)

Besides the “jungle of rates”, the industrial enterprise relies on the business travel agency's expertise in a number of other services. The agency informant gives an informative example of the complexity of the services they are providing,

because of the market pricing, we don't have price lists any more...to update information is the core thing. For example, we have a group in our back office that updates the flight rates for sales clerks...Believe or not, 210 000 flight rates are updated every single day. And the same goes with hotels, ferries, car-hire, and still one interesting thing, namely visas...We Finns do not need visas that often. But we have a client whose employees consist of 55 nationalities that need an unbelievable number of visas only when traveling inside Europe. Only to update visa database is a reasonable challenge. (Present travel agency, general manager)

Also the hotel chain needed the business travel agency's services, despite the opportunities the internet provided:

Very few of our corporate clients use our internet reservation system because those of the intermediaries [travel agencies and booking agents] are better and quicker... (Sales manager, hotel chain)

Technology helped in developing the travel management process to a total process with integrated payment handlings and management reporting. This strengthened *resource ties* and *activity links* (see Figure 46: rt+, al+) in *all the three dyads*, and made the actors more interdependent. Despite the attempts to bypass business travel agencies, the suppliers are very much dependent on them. The airlines forced their customers to turn to the business travel agency regarding services they earlier provided themselves, for example flight re-routings. This is illustrated by the account manager at Airline A:

We do not have the resources to do anything ourselves...earlier they often phoned from the travel agency, saying that there is a client coming to change his ticket...we can't do it any more...the travel agency is doing it for us. Travel agencies are still our most important distributors...We do not have the capacity to serve all our clients directly. (Airline A, account manager)

In sum, *the business travel agency – industrial enterprise*, and the *industrial enterprise - supplier* relationship development may be regarded as both *generative* and *degenerative* (ab+/-). The open rate structures increased mutual understanding. However, access to the variety of alternatives led to fading loyalty (degenerative development) as,

the clients are shopping more and more. They are not as faithful as they used to be. (Present travel agency, Nordic manager)

The travel manager wanted to understand profoundly how the partner organisations functioned. On her initiative, the industrial enterprise educated its personnel in business travel related issues because,

people [buyers] have understood that they cannot trust on a partner who makes their profit on your travel. (Travel manager)

However, even though the industrial enterprises gained more alternatives to book travel, and the suppliers more channels to deliver business travel services, the process integration, and the tailor-made self-booking channels bound the companies together, and made them interdependent.

The *supplier – business travel agency relationship* development may in general be regarded as generative, even though the travel agency moved “*from the supplier's side to the buyer's side*”, as the business travel agency informant puts it:

Earlier, we were the service suppliers' functional supply chain. Of course, that's what we still are, but now when we do not get commissions, we have become the buyer organisation's partner, in other words, and we have changed from the supplier's side to the buyer organisation's side. (Former travel agency, general manager)

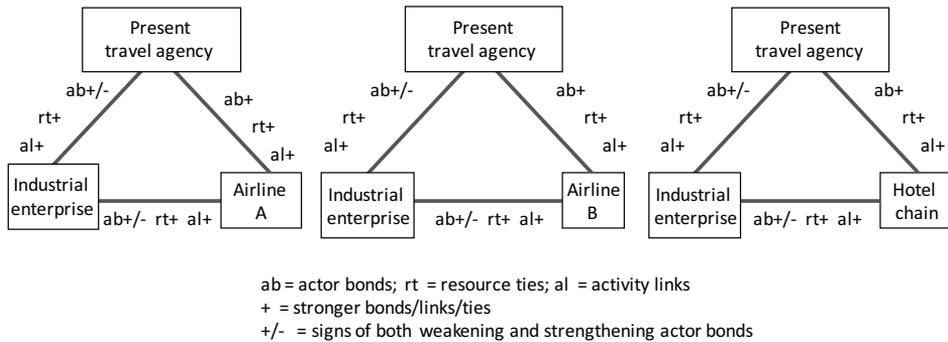


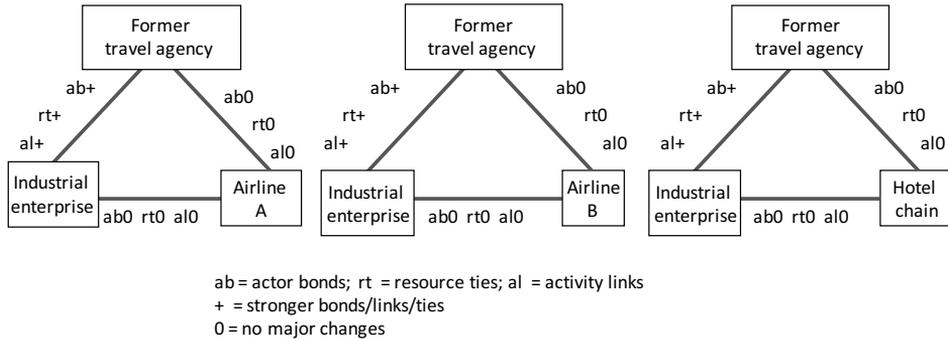
Figure 46 New sales channel, dyad outcomes (2).

#### 4.5.2.3. The change in earning logic

Due to interdependence, the change in earning logic did not cause major alterations in the *industrial enterprise* – *service supplier*, and *business travel agency* – *service supplier* relationships (see Figure 47:  $ab0$ ,  $rt0$ ,  $al0$ ), even though commission cuttings tightened airlines' and the business travel agency's relationships when they were first introduced.

The business travel agency's increasing commitment to the industrial enterprise, and the new services provided, strengthened the resource ties and actor bonds between *the business travel agency* and *the industrial enterprise* ( $ab+$ ,  $rt+$ ). The business travel agency's new services created new links in the activity chain ( $al+$ ), as is illustrated in Figure 47. The present business travel agency partner is not included, because the relationship had not been established yet.

In sum, the business travel agency – industrial enterprise relationship development was *generative*. The business travel agency – supplier, and the supplier – industrial enterprise relationships remained relatively *unaltered*.



**Figure 47** Changes in earning logic, dyad outcomes.

#### 4.5.2.4. *The convergence of business and leisure travel*

Delivering crosswise tickets strengthened the *industrial enterprise's* and the *business travel agency's* relationships. The co-operation also made them more interdependent, and created stronger *actor bonds*, *activity links* and *tied the resources*. (Figure 48: ab+, rt+, al+). The industrial enterprise was disappointed with the service suppliers' way of treating their key customer, giving thus a sign of *weakening actor bonds between the industrial enterprise and the airlines* (ab-):

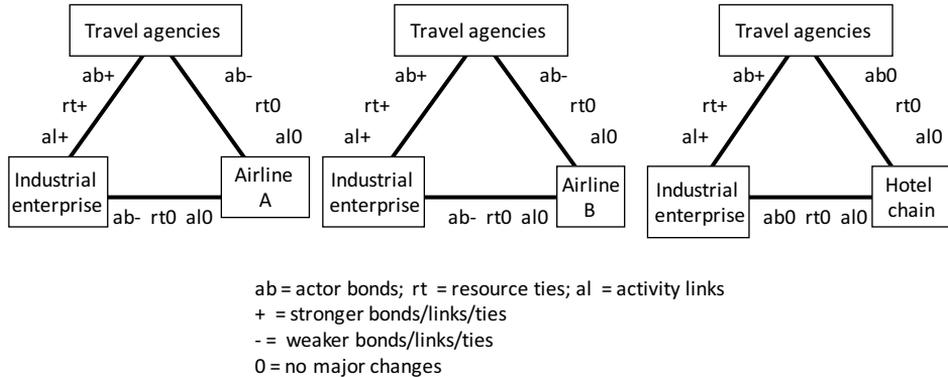
The benefits of the contract with the service suppliers have clearly faded; meanwhile the value of the contract with the travel agency has strengthened. (Travel manager)

However, they were still interdependent, and the resources were firmly tied, and the activities were linked, thus there were no major changes in the relationships (rt0, al0). Both the industrial enterprise and the business travel agency blamed service suppliers for not listening, and for not understanding the industrial enterprise's needs. The business travel agencies felt the suppliers wanted to leave them out when they did not adapt their services to serve the industrial enterprise better,

rates are mixed up, they [airlines] have services they don't want us to deliver...they should adapt their services to meet the clients' needs. (Travel agency, clerk)

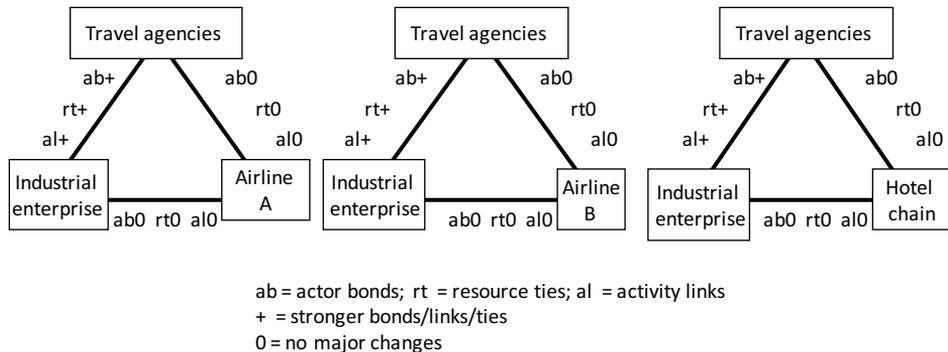
This may be interpreted as a sign of *weakening actor bonds between the business travel agency and the airlines* (ab-). Even though the relationships had signs of *degenerative* development, they remained *unaltered* because of the mutual interdependence, and the lack of alternatives.

The outcomes to the hotel chain were not as critical as to the airline companies. Therefore, in Figure 48, the dyad outcomes regarding *hotel chain – industrial enterprise* and *hotel chain business travel agency relationships* (both the former and the present travel agencies are included) are marked with ab0, i.e. there was no major change due to these specific adaptations.



**Figure 48** Convergence of business and leisure travel, dyad outcomes (1).

The final outcomes of the second adaptation period (see section 4.4.3.2) may be regarded as generative for *the business travel agency – industrial enterprise relationships*. The adaptations in utilising tourist class tickets brought them closer to each other, which is illustrated in Figure 49 with ab+, rt+, al+.



**Figure 49** Convergence of business and leisure travel, dyad outcomes (2).

Actor bonds, resource ties and activity links between the *service suppliers*, and the *industrial enterprise*, and between the *suppliers* and the *business travel agency* remained unaltered (ab0, rt0, al0).

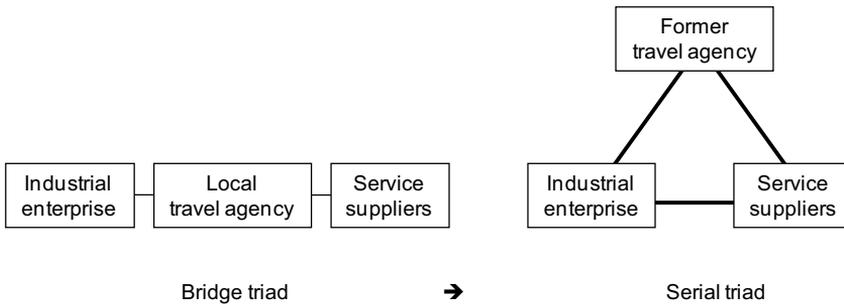
#### 4.5.3. Triad outcomes

The development of the structure of the triadic relationship setting due to adaptations is evaluated in this section. In the core triads, the outcomes were primarily *structure-reinforcing*, i.e. the triad became more co-operative. During the investigated period, some of the triadic relationship settings also changed to *new triads*, when one of the actors was changed. Occasional *structure-loosening* outcomes were also found, as the following analysis shows.

#### 4.5.3.1. Structure-reinforcing development

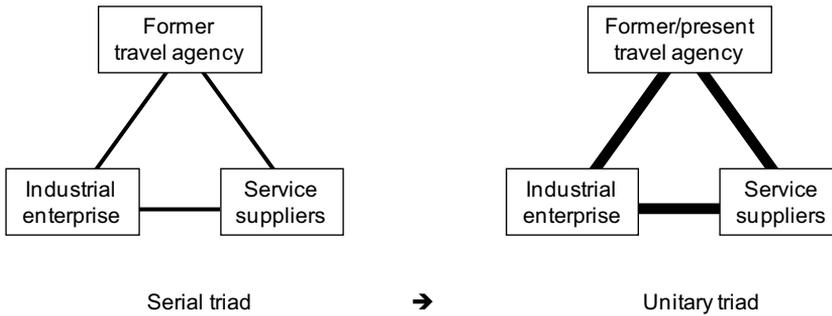
The *saving campaign*, the *new sales channel*, and the *change in earning logics* may be regarded to have structure-reinforcing outcomes. Before business travel purchase was organised, the local travel agency served as a booking agent for the industrial enterprise. Thus, there were three actors, but the interactions were mainly dyadic. The triad reminded a *bridge triad* (cf. Stern and El-Ansary, 1992). When travel management was organised, the relationship took a *serial triad* (cf. Havila, 1996) formation, where the three actors have direct connection with each other (see Figure 50). The business travel agency had a predefined role between the industrial enterprise and the suppliers. The business travel agency's role was to "*accomplish the contracts the client has negotiated*" (former travel agency, general manager). The tasks were divided clearly between the business travel agency and the suppliers:

Service suppliers' goal was to bind corporate buyers with long-term contracts. The travel agency's goal was to realise the contracts. (Former travel agency, general manager)



**Figure 50 From bridge triad to serial triad.**

Along with *the new sales channel*, and with *the change in the earning logics*, the roles of the actors mixed to some extent. The industrial enterprise took a more active role. Some of the business travel agency's work was moved to the industrial enterprise, and the expert tasks remained within the business travel agency. The complicated business environment and the wide assortment of rates made the industrial enterprise more dependent on the business travel agency, and increased the business travel agency's power. The present business travel agency obtained a new kind of position between the industrial enterprise and the service suppliers, and the triadic relationship settings transformed to unitary triads. The development towards unitary triads started gradually, already with the former travel agency. Therefore, in Figure 51, both the travel agencies are illustrated in the unitary triad arrangement. The thicker lines between the firms illustrate the increasing co-operation.



**Figure 51 From serial triad to unitary triad.**

In the unitary triads, the tasks the business travel agency was supposed to maintain were not predefined, but they were adapted according to the industrial enterprise's and service suppliers' needs. Service suppliers, specifically airlines, increased direct sales of simple point-to-point travel, and the business travel agency was forced to find new ways to serve its clients,

within this industry, you have to be a chameleon. You have to shed your skin every morning, and do things in a new way...there are no limits, there is no ceiling to finding new ways to serve clients, all of them need their own solution. (Former travel agency, general manager)

#### 4.5.3.2. *Structure-loosening development*

The triad was occasionally “more unitary”, and occasionally “less unitary” (cf. Havila, 1996). Occasional structure-loosening outcomes occurred during the adaptations, for example, when airlines were looking for ways to bypass business travel agencies. However, they did not change the triadic structure of the relationship setting, even though,

service suppliers saw a lot of possibilities to bypass delivery channels. (Airline B, director)

The new sales channel was at first sight a serious threat to the business travel agency. It was a threat also to the industrial enterprise, because it could have made managing travel costs impossible as,

in a buying company, there are at least four groups of employees that feel her/himself as a decision maker in business travel purchase: the traveller, travel secretary, travel manager, the one responsible for the contract, i.e. the one who owns the process...All of them see themselves as the main decision maker in business travel purchase. (Airline B, director)

When there were major disagreements, there were signs of coalition formation between the business travel agencies and the industrial enterprise. For example, they worked hard to make the tourist class rates available for business clients. The travel manager points out that,

we are not interested if the car we hire is meant for company use or leisure use...Service suppliers suppose that companies are prepared to pay for the maintenance of the hotel or the airline carrier. (Travel manager)

#### 4.5.3.3. *A new triad*

As described earlier, due to insufficient adaptation in technology, the industrial enterprise changed its business travel agency partner. For the industrial enterprise, it is important to develop relationships, and a minor impulse, for example service failure or a service fee is not a good enough reason to end a relationship, but there has to be a more important reason. The change of the travel agency partner was a carefully considered decision. As the travel manager points out,

we noticed that the relationship with the first partner did not develop in the direction that would have been beneficial to us. So we had to make the decision [to change the business travel agency]...to keep on with a long-term relationship because it would be difficult and troublesome to end it...we would lose money and nobody would develop. Therefore, we were not afraid to change the partner [business travel agency]. (Travel manager)

#### 4.5.4. Summary and analysis of adaptation outcomes

Analysis of adaptation outcomes consist of three levels: actor outcomes, dyad outcomes, and triad outcomes. However, these levels can be further divided into *long-term and short-term outcomes*. These will be discussed in the following.

##### 4.5.4.1. *Actor outcomes*

In triadic relationship settings, short-term actor outcomes are seldom positive for all the actors involved. However, *an adaptation may turn out to be positive when taking a long-term perspective*. For example, getting a committed client by helping her to save costs – even though it would mean decreasing yield – may lead to bigger sales volumes in the long-term, like in the saving campaign. In the long-term, by adapting and “re-adapting”, positive long-term outcomes may be reached.

Even a coerced adaptation may have positive long-term outcomes for an actor. An example is adaptations due to the change in earning logics. The new sales channel, as well, proved to be a source of innovation for the business travel agency, and also for the industrial enterprise. It required extensive and costly adaptations, specifically from the agencies, and threatened the centralized travel management. Short-term adaptation outcomes regarding the convergence of business and leisure travel were mainly considered as negative. In the long-term, however, the airlines’ rate reform was unavoidable.

##### 4.5.4.2. *Dyad outcomes*

*The saving campaign* was generative to all the dyadic relationships, i.e. actor bonds, activity links, and resource ties strengthened (see table 12). This is quite natural because the relationships were then established at the firm level. Earlier, the relationships had been informal, based largely on personal contacts.

The emergency of the *new sales channel* led to ongoing adaptations. The former travel agency was eliminated from the triads. In the short-term, the adaptations were

degenerative because of the lack of mutual understanding. In the long-term the cooperation and understanding increased, and adaptation outcomes were generative. The industrial enterprise's fading loyalty may as well be regarded as a sign of short-term degenerative development.

**Table 12 Summary of the dyad outcomes.**

<b>Impulse</b>	<b><i>Saving campaign</i></b>	<b><i>New sales channel</i></b>	<b><i>Change in earning logics</i></b>	<b><i>Business and leisure travel convergence</i></b>
Outcome	<i>Long-term</i>	<i>Long-term</i>	<i>Long-term</i>	<i>Long-term</i>
Dyad	(Short-term)	(Short-term)	(Short-term)	(Short-term)
Industrial enterprise-former travel agency	<i>Generative</i> (Generative)	<i>Ending</i> (Degenerative)	<i>Generative</i> (Generative)	<i>Generative</i> (Generative)
Industrial enterprise-present travel agency	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Generative</i> (No)	<i>Generative</i> (Generative)
Industrial enterprise-airline A	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Unchanged)	<i>Unchanged</i> (Degenerative)
Industrial enterprise-airline B	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Unchanged)	<i>Unchanged</i> (Degenerative)
Industrial enterprise-hotel chain	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Unchanged)	<i>Unchanged</i> (Unchanged)
Former travel agency-airline A	<i>Generative</i> (Generative)	<i>Ending</i> (Degenerative)	<i>Unchanged</i> (Degenerative)	<i>Unchanged</i> (Degenerative)
Former travel agency-airline B	<i>Generative</i> (Generative)	<i>Ending</i> (Degenerative)	<i>Unchanged</i> (Degenerative)	<i>Unchanged</i> (Degenerative)
Former travel agency-hotel chain	<i>Generative</i> (Generative)	<i>Ending</i> (Degenerative)	<i>Unchanged</i> (Unchanged)	<i>Unchanged</i> (Unchanged)
Present travel agency-airline A	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Degenerative)	<i>Unchanged</i> (Degenerative)
Present travel agency-airline B	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Degenerative)
Present travel agency-hotel chain	<i>Generative</i> (Generative)	<i>Generative</i> (Degenerative)	<i>Unchanged</i> (Unchanged)	<i>Unchanged</i> (Unchanged)

*The change in earning logics* was generative for industrial enterprise – travel agency relationships. Relationships between the suppliers and travel agencies remained unchanged, even though adapting was coerced to the agencies by airlines, and caused short-time degenerative relationship development.<sup>32</sup>

The adaptations benefited also the present travel agency that entered the triads later. The long-term adaptation outcomes of the *convergence of business and leisure travel* were generative to the industrial enterprise - business travel agency relationships, meanwhile the other relationships remained unchanged. Short-term degenerative outcomes in Table 12 refer to the occasional disagreements during the process. These did not concern the hotel chain.

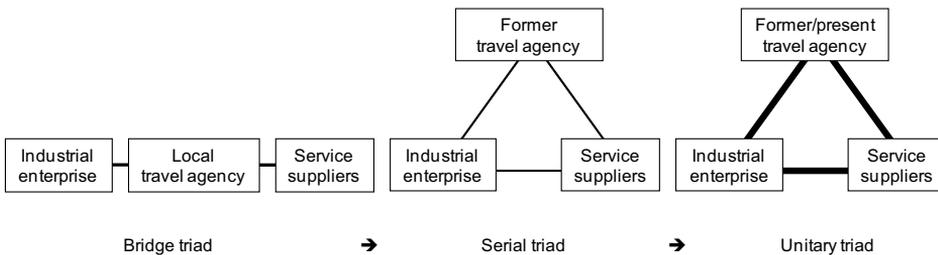
In the long-term, adaptations made both in the connection of the saving campaign and the change in earning logics were beneficial to the present travel agency - industrial enterprise relationships, even though the present travel agency was not active in actor in

<sup>32</sup> There are many travel agencies that did not survive the change in earning logics. They were small agencies of which some were bought by big alliances, and some of them went bankrupt.

the core triads at the time when the impulse emerged. The organised travel management created due to adaptations made it easier for the present travel agency to adapt to the existing practises and relationship. The change in earning logics benefited all corporate buyer – travel agency relationships.

#### 4.5.4.3. *Triad outcomes*

When taking a *long-term perspective*, triad outcomes are mainly structure-reinforcing because the tendency is towards a more unitary triad, i.e. towards more co-operation. The saving campaign transformed the bridge triad to a serial triad, and in the later phases to a unitary triad, as is illustrated in Figure 52. The strength of the line denotes increasing co-operation in the triads.



**Figure 52 Structure reinforcing triad outcomes.**

The industrial enterprise's business travel purchase was organised with the help of the local travel agency already before the saving campaign, i.e. there were three actors. First, after the *saving campaign*, the travel management function was organised, and the industrial enterprise, former travel agency and service suppliers all had direct connection with each other. The role of the travel agency was then that of a distributor.

The *new sales channel* and technology development in general changed the triadic relationship structure. Surprisingly, the change of the business travel agency did not have a dramatic impact on the triadic relationship setting. There are at least two explanations for this. *First, business travel management and travel service delivery relies more on the performed functions than on specific actors. Thus, the adaptations made in the previous relationships benefit the successors.*

Going back to Gersick's (1991) metaphor of the rules of the game (see section 2.6.3.3), there are rules according to which the actors play. When a player is changed, the new player can learn the rules. Experienced travel agencies belonging to international travel agency chains are all qualified to serve international clients. According to the travel manager, the intermediary does not even necessarily have to be a travel agency. The key issue is the buyer organisation's well-organised travel management, a travel policy, and an experienced and knowledgeable travel manager:

The buyer might choose to co-operate with an information technology provider, or a credit card company, instead of the business travel agency, provided that the buyer has extremely good knowledge of the industry. (Travel manager)

A change of an important service supplier, on the contrary, might cause major adaptations. One challenge is the geographical location and the lack of competing suppliers. This concerns specifically airlines:

There is a problem...we have too few alternatives when flying outbound from Finland. What are the alternatives? From London, you can fly wherever [and choose the airline]. (Traveller)

To open a new flight route or a hotel to meet the clients' needs may be demanding and risky for a supplier.

*Second*, a great help to the continuance of the triadic relationship setting was the travel agency clerks that stayed with the industrial enterprise, i.e. changed from the former business travel agency to the present one. This made the change easier for all the parties:

The contacts I have with the persons who sit there [business travel agency clerks in the industrial enterprise's premises] are extremely important. It is very good that they followed with the new travel agency. (Airline A, account manager)

In fact, the majority of the clerks followed the industrial enterprise from the local travel agency to the former travel agency, and again to the present travel agency. In business travel agency – buyer organisation relationships in general, this is quite common. It highlights the importance of personal contacts and social bonds that emerge, and which help when going through adaptation processes (cf. personality related trust and performance related trust, Coulter and Coulter, 2003). It also reveals that there is relationship energy that continues, and helps to form new relationships with other organisations and contexts (cf. Havila and Wilkinson, 2002).

Regarding adaptation to the new sales channel, even though pressure was put on the business travel agency to develop booking technology, the human touch is valued. The business travel agency informant concedes that the internet has not reduced the need of personal relationships, and that,

there is actually something that has not changed; it is still a human being doing this work. The internet has not reduced the need of personal relationships, or the interactions between human beings. Rather, on the contrary, it has even increased the need. (Former travel agency, general manager)

The industrial enterprise respondents make it clear that both are needed, technology and humans, but it is important to use these resources in a reasonable way. Point-to-point bookings are suitable for on-line channels, but more complicated travel requires an expert:

Employees should not be made to take care of routines, because it costs too much, and we cannot afford it in the travel business. (Travel manager)

The *change in earning logics* strengthened the unitary triad nature of the relationship setting (ab+ in Table 13). The *business and leisure travel convergence* did not break the

triadic relationship setting, despite occasional disagreements. The same relationship setting, and the same actors continued their co-operation. This is quite natural, because the impulse for adaptations was universal, and changing the service suppliers would not have changed the situation. Furthermore, the occasional degenerative dyad outcomes (ab-) may be regarded as *short-term structure-loosening development*. Thus, *even though the long-term development is structure-reinforcing, there may be short-term structure-loosening developments*.

**Table 13 Summary of the triad outcomes.**

<i>Saving campaign</i>	<i>New sales channel</i>	<i>Change in earning logics</i>	<i>Convergence of business travel and leisure travel</i>
Industrial enterprise - former travel agency - airline A triad			
Reinforcing: Bridge to serial triad	Reinforcing: Serial to unitary triad	Reinforcing: More unitary (ab+)	Short-term structure loosening development (ab-)
Industrial enterprise - former travel agency - airline B triad			
Reinforcing: Bridge to serial triad	Reinforcing: Serial to unitary triad	Reinforcing: More unitary (ab+)	Short-term structure loosening development (ab-)
Industrial enterprise - former travel agency - hotel chain triad			
Reinforcing: Bridge to serial triad	Reinforcing: Serial to unitary triad	Reinforcing: More unitary (ab+)	Unchanged
Industrial enterprise - present travel agency - airline A triad			
(not active)	New triad Reinforcing: unitary triad, Agreed adaptations	(not active)	Short-term structure loosening development (ab-)
Industrial enterprise - present travel agency - airline B triad			
(not active)	New triad Reinforcing: unitary triad, Agreed adaptations	(not active)	Short-term structure loosening development (ab-)
Industrial enterprise - present travel agency - hotel chain triad			
(not active)	New triad Reinforcing: unitary triad, Agreed adaptations	(not active)	Unchanged

In sum, the structure reinforcing development describes *long-term relationship development*. However, at the same time there was degenerative development in the dyads, and even a breakdown in one of the relationships. Also coalition formation between the industrial enterprise and the business travel agencies was discovered. This

caused occasional disagreements and weakening actor bonds in the supplier relationships. Triad outcomes may be further divided to *short-term and long-term outcomes*. In other words, *degenerative development in dyads* may have an impact on the *short-term relationship development*, but does not necessarily hinder long-term structure-reinforcing development in the triads. In Table 13, (ab+) denotes that even though the triad would become more unitary, there may be degenerative development in its dyads, and (ab-) denotes the opposite. This kind of development may be compared to the equilibrium periods with incremental changes (Gersick, 1991, see section 2.6.3.3)

### ***Interdependency***

Why did the triadic relationship setting remain the way to manage the industrial enterprise's business travel? One reason is the interdependencies that emerge when actor bonds, activity links, and resource ties develop. In Gersick's (1991) terms, there were equilibrium periods when the basic activity patterns remained the same with some incremental changes.

The stronger the bonds, links, and ties are, the deeper the interdependence is. Along with the structure reinforcing development, the actors became more interdependent. It is important for generative relationship development that the actors have significant and "*roughly the same dependence upon the relationship*" (cf. Anderson and Narus, 1990), as in the current case study. The clerk judges the interdependence from all the actors' perspectives:

We are all dependent on each other. The buyer organisation needs us, and we need the buyer organisation more than it needs us, whereas the airline needs both of us, very much. And it specifically needs us to deliver its services. (Travel agency, clerk)

The new booking channel would have enabled the industrial enterprise to arrange its business travel without an intermediary. The triad would then have changed to a dyad. The industrial enterprise could also have replaced the business travel agency with another actor, as stated earlier. Furthermore, the reasons behind switching a partner are thoroughly considered. The travel manager emphasises the value of long-term relationships:

We have no need to change the partner just because of the cost of an individual transaction, there has to be a clearly a more pressing reason to make a change. (Travel manager)

The business travel agency informant agrees that they lost the competition because they could not offer the industrial enterprise the technology it required:

The new partner has the technology we are not able to offer. (Former travel agency, district manager)

Furthermore, with contract negotiations and realising the contracts, the *power* is with the industrial enterprise. The suppliers, or the business travel agencies, never end the

relationship with a client organisation. It is always the client's decision.<sup>33</sup> According to the service suppliers:

We never break the relationship. In the contracts, there are these conditions of our notice of termination, but it never happens. (Hotel, sales manager)

The contracts do not bind the buyer organisations. (Airline B, director)

The informants from the business travel agencies and industrial enterprise agree that changing a partner is laborious, and there has to be a good reason to do it. The relationships are evaluated constantly and,

it is a long process to change a partner. There has to be a reason, a remarkable reason to change...It is not an individual happening that breaks a relationship. On the other hand, the bidding rounds are going on quite often and regularly. It is a way to keep us [business travel agencies] awake. (Former travel agency, district manager)

However, the industrial enterprise is demanding, and fundamental issues, such as technology development, are essential:

Instead of starting to surf the internet ourselves, we needed a partner who can give us all the rates. It meant that our travel agency partner wasn't the best for us anymore, but we had to get a partner equipped with the new technology and skills...they were not able to offer us the right equipment. (Travel manager)

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<sup>33</sup> Holmlund and Hobbs (2009) discovered contradicting results in their empirical study in the business travel industry. They claimed that the one to end the relationship may as well be the buyer.

## 5 CONCLUDING DISCUSSION

This section summarises the research and its main findings. Furthermore, it elaborates on the research's theoretical and methodological contributions and managerial implications. It also addresses the trustworthiness of the research. Finally, it reflects on the research's limitations, and provides propositions for further research.

### 5.1. Summary of the research

Business-to-business relationships form complicated networks that function in an increasingly dynamic business environment. This research is conducted in the area of relationship marketing, and it addresses the complexity of business relationships, both when it comes to the core phenomenon under investigation, adaptation, and the structural context of the research, a triadic relationship setting.

In business research, adaptation is generally regarded as a dyadic phenomenon, even though it is well recognised that dyads do not exist isolated from the wider network. *The purpose of this research was to build a comprehensive framework of adaptation in triadic relationship settings*, and three research questions were posed. The questions address the context, process and content (Pettigrew, 1990) of adaptation in triadic relationship settings, i.e. (1) How do adaptations *initiate*, (2) How adaptations *spread* over time, and (3) How do adaptations *change the structure* of a triadic business relationship setting and *the nature* of its relationships? *The focus is on the triads as such, and on the connections between its actors.*

The study is primarily based on the *industrial network approach* by the IMP group (Håkansson, 1982; Håkansson and Snehota, 1995a). The *service marketing and management approach* (Grönroos, 1995) was applied to underpin the service perspective in the research. Theories from *sociology* (Caplow, 1956; Simmel, 1969) that study how individuals act in small groups helped in understanding the triadic relationship setting. The empirical context in which the core triadic relationship settings of this study are embedded is the *business travel industry*. The triadic relationship settings consist of the *relationships between an industrial enterprise, its service supplier and business travel agency partners*. The relationships are established to organise the industrial enterprise's *business travel management*.

The triadic relationship setting consists of three independent actors (firms) that are either directly or indirectly connected to each other for business purposes. Adaptation in this specific context is defined as: *Pro-active or reactive adjustments in actor bonds, resource ties, and activity links in triadic relationship settings that take into account the contextual setting and changes in it. Adaptations are designed initially for a specific business relationship in a triadic relationship setting, and they are not transferable as such to other relationships.*

The analysis framework was created with the help of a *systematic combining approach*, which is based on abductive logic. I conducted *retrospective case studies*, where *in-depth interviews with key informants* were the main source of information. Data

gathered from actual counterparts in specific triadic relationships provided multiple perspectives to adaptations. I applied a triadic approach, in other words, *I investigated each of the three dyadic relationships in a triadic relationship setting in the context of the other two dyads to which it is connected, and from both ends.*

A continuous movement between the theory and the empirical findings characterises systematic combining. Accordingly, the theory development in my thesis evolved through hermeneutic circles, where I simultaneously gathered data, analysed it, and reflected on it. I tried to challenge existing interpretations, and search for disconfirming data for my tentative findings. This was an ongoing process of meaning construction. The theory became more understandable along with the empirical observations, and vice versa. I chose a *processual perspective* to address the question of how change occurs. It helps to describe how adaptations change relationships, i.e. the nature, sequence, and order of events and activities that unfold over time (Halinen, 1996). However, I chose to construct the report in a traditional way, i.e. with a separate theory part and empirical part, even though this is not how the research process advanced in reality. I made this choice because I would not have been able to include the direction and redirection of the research process in the report without it becoming too laborious for the reader to follow.

The empirical part of the report, as does the theory part, follows the structure of the analysis framework and the themes of the three research questions: *adaptation initiation, the proceeding of adaptations, and the outcomes of adaptation.*

#### 5.1.1. Adaptation initiation

*Adaptation impulses* were used as windows to look at adaptations. Four adaptation impulses surfaced from the interview themes. (1) *A cost saving campaign*, which deals with the industrial enterprise's internationalisation and thereby growing travel costs. (2) *A new sales channel*, describing the emergence of internet bookings and technology development, (3) *a change in earning logic*, i.e. the service suppliers' sales commission removals from business travel agencies, and (4) *a convergence of business and leisure travel*, which has to do with business travellers and leisure travellers changing buying behaviour.

Three *impulse sources* were discovered: the firms, the primary business network, i.e. the travel industry, and the macro network. The first impulse was *endogenous*, originating from the industrial enterprise. It was an impulse that led to an organised travel management process and contractual relationships. The three other impulses were exogenous and they had their origins in primary network, and in the macro network.

#### 5.1.2. Adaptation processes

By expanding the ARA framework by the IMP group (Håkansson, 1987), the content of adaptation was classified to *actor adaptations, resource adaptations and activity adaptations*. *Adaptations in human interaction* were regarded as being important in the beginning of the relationships, and during the entire lifetime of the relationships. Thus,

*adaptations in human interaction may be regarded as primary adaptations, which enable adaptations in organisational structures, and in resources and activities.*

This is so, even though there is the tendency for the technology to replace employees. The entire travel management process is based on *adaptations in technology*. Major adaptations in organisational structures, purchasing, marketing and delivery strategies were also discovered.

Each adaptation process was noticed to include adaptations of different *scales and formality*. All four impulses led to large scale investment processes. However, the scale of adaptation cannot be directly compared between the different actors, because travel management is a support function for the industrial enterprise, and the core activity for business travel agencies, and for service suppliers. Both *coerced* and *voluntary* adaptations were discovered, and an interesting *coalition formation*, where the industrial enterprise and travel agencies unite their forces to coerce adaptations to airlines. The adaptations are mainly *threefold*, i.e. the three actors all make adaptations to benefit the common goals of the triadic relationship setting.

Information exchange, negotiation, communication and execution phases (cf. Brennan and Canning, 2002; Canning and Hanmer-Lloyd, 2002) were discovered in connection to the saving campaign and the new earning logics, which were time-framed and planned processes. The remaining two processes were evolving, leading from one period of adaptations to the following period. However, the phases discovered in the prior research (Brennan and Canning, 2002) do not describe what happens after the execution phase. Thus, a fifth phase may be added, *the phase where adaptations spread to incorporate the triadic relationship setting*.

Three different ways of *how adaptations spread* are discovered. These ways are based on who initiates adaptations, as follows: (1) *Connected adaptation* is initiated by one of the firms, (2) *derived adaptations* are initiated in a dyadic relationship. The different ways of adaptation spread also show that the actors in a specific triadic relationship setting may have either a *direct or indirect* connection with each other, depending on the nature of the adaptation. Thus, *how the actors of a specific triad are connected to each other is context specific*. (3) *Agreed adaptations* are planned in co-operation with all three firms. The initiators of adaptations were either the service suppliers or the industrial enterprise. *The travel agencies did not directly initiate adaptations, but they were active participants in all the adaptations, and creative in finding new solutions specifically for their client's needs*.

*The process nature of services is emphasised in the content of adaptation*. In close co-operation, all the three actors join the travel management process, and adaptations go through the entire process, constituting *adaptation chains*. Adaptation chain may relate to actors, resources and activities, or in other words, *actor adaptation chains, resource adaptation chains and activity adaptation chains* activate.

### 5.1.3. Adaptation outcomes

Adaptation outcomes were investigated at the firm level, dyad level, and triad level, in order to get a comprehensive picture of how adaptations affect the triadic relationship settings. *Actor outcomes (firm level) imply positive and negative outcomes for the firms.* In the core triads, the firms have, besides the common goal, their own goals. Thus, an adaptation that is beneficial to one of the firms may have negative outcomes for another actor, or for the other two actors in the triad. However, in long-term co-operation, short-term negative outcomes may be compensated. It is also noted that, a coerced adaptation may have positive outcomes for the firm that has been coerced to adapt.

*The dyad outcomes were noticed to be both generative and degenerative, depending on the impact of adaptations on actor bonds, resource ties, and activity links.* In general, the relationship between the industrial enterprise and the business travel agency strengthened during the studied period. Their relationship became closer, and the relationships with service suppliers became somewhat more distant. However, the triads' structure strengthened. Even though there was occasional degenerative development in the dyads, the triads became more co-operative. Thus, the outcomes may also be investigated as short-term and long-term outcomes.

The triads strengthened even though technology would have enabled direct access to the suppliers without the intermediation of a travel agency. A main reason is interdependence between all the three actors. Furthermore, the benefits of long-term co-operation were recognised, which motivated to make adaptations.

During the studied period, the relationship between the industrial enterprise and the former business travel agency ended. The main reason for the ending was the inadequate technological adaptation. The succeeding travel agency adapted its resource ties and activity links to those of the other firms. The change was seemingly uncomplicated for two reasons. First, it was noticed that *travel management depends rather on functions than on specific actors.* Thus, an actor may be changed, but the role remains, and the details of it may be learned by another professional actor with the same competencies. In a triadic relationship setting, the functions and the adaptations stay even though actors would change.

Second, the travel agency's service personnel followed the industrial enterprise, which was of great help to all the firms in the triadic relationship settings. Thus, in triadic relationship settings, *the service personnel play a central role in implementing and executing adaptations.*

## 5.2. Theoretical contribution

This research integrates theories and concepts from two approaches, from the industrial network approach by the IMP group, and from the service marketing and management approach by the Nordic School. Sociological theories are used to understand the triadic relationship setting. Primarily, this research contributes to *adaptation research and research with business triads.* Furthermore, some of its findings may also be utilised in *business network, and in business relationship dynamics research.*

The main theoretical contribution of this research concerns *opening a new research area in relationship marketing* by investigating adaptation in business relationships *with a new perspective, and in a new context*. Thus, with this research, I have filled in two major research gaps in relationship marketing. First, *I have extended the adaptation research perspective from the traditional dyadic perspective to incorporate three actors*. Second, *I have shifted the focus of adaptation research from the manufacturing industry to business services*. Adaptation has mainly interested IMP Group researchers, and it has been regarded merely as a dyadic phenomenon. Furthermore, in the IMP tradition, the service industry has gained limited attention.

This study provides *a comprehensive framework to analyse adaptation in triadic business relationship settings*. Furthermore, its sub processes, for example (1) the progression of adaptation with its different phases, (2) the adaptation chains, and (3) the adaptation outcomes, can be used for more detailed analysis.

- (1) Previous researchers (Brennan and Canning, 2002) have discovered four adaptation phases, i.e. information exchange, negotiation, communication and execution phases. However, this does not take into account how adaptations reach the third firm in a triadic relationship setting. *Adding the spread of adaptation to adaptation phases* makes it possible to outline the entire adaptation process from the very beginning to the phases that occur after the execution, i.e. it covers also the different ways of how adaptations spread to incorporate the three actors, in a *connected, derived, or agreed* way, depending on who is, or who are the initiators.
- (2) *Actor adaptation, resource adaptation and activity adaptation chains* can be applied when studying adaptation in service processes at actor, resource and activity levels. This *adds the dynamism of the ARA model* by the IMP Group.
- (3) Furthermore, adaptation outcomes can be modelled by using *actor outcomes, dyad outcomes and triad outcomes*. Depending on the change in the strength of actor bonds, resource ties and activity links, dyad outcomes may be generative or degenerative, which in turn has an impact on the triad outcomes. Based on dyad outcomes, and using the conceptualisation of bridge triads, serial triads and unitary triads, *triadic outcomes can be evaluated*. When evaluating dyad and triad outcomes together, *short-term and long-term adaptation outcomes* may be discovered.

*There are no previous studies of how actors in a triadic business relationship setting adapt to each other*. The main findings regarding this specific relationship setting contribute (1) the discussion of the approach itself, (2) the interesting variations in the connections between the actors, and (3) the function vs. the actor specificity of the co-operation.

- (1) This research has a *triadic approach* to adaptation, i.e. in each of the specific triadic relationship setting the relationships were investigated from all the three firms' perspectives, and in the context of the other two relationships, and from

both ends of each of the relationship. The triadic relationship settings consisted of actual co-operating partners. *This provides multiple perspectives to specific adaptations. The approach can be used to study, besides adaptation, other relationship specific features in triadic relationship settings.*

- (2) During the different adaptation phases, and in the same triadic relationship setting, the actors may have both direct and indirect connections. Thus, a triad does not have to be categorised into bridge triad (Stern and El-Ansary, 1992), serial triad with mainly dyadic functions, or to a unitary triad that functions as group (cf. Havila, 1996). *The triadic relationship setting may act either as a serial triad, or as a unitary triad, depending on the timing and the contextual setting.*
- (3) The travel management function was noticed to be *dependent on functions performed rather than on specific actors*. This makes it easier to change an actor. This concerns specifically the intermediary. The notion of function specific and actor specific triadic relationship settings can be taken into consideration when investigating, besides adaptations, also other features in business triads.

The structural context of this study, the triadic relationship setting, and the key concept, adaptation, both emphasise *the dynamics and the embedded nature of business relationships*. Thus, the study has implications for relationship dynamics research and business network research. Ritter (2000: 319) argues that it is adequate to analyse triads when addressing the interconnectedness between relationships in a network. A network can be deconstructed into triads for analytical purposes, and network effects can be revealed by using a triad. *The analysis framework created in this study, and its sub processes mentioned above may be used to study different relationship features, not only in dyads and triads, but also in larger business network relationships.*

Finally, the current study investigates ongoing service processes, and the major turning points within the relationships, thus *contributing research on relationship dynamics*. For example, the *models and conceptualisations* provided in this study can be used to study, besides adaptations, other dynamic relationship features both in dyadic and triadic relationships.

### **5.3. Managerial implications**

This research has managerial implications for relationship management in triadic business-to-business service context. Furthermore, it has the travel industry specific implications.

#### **5.3.1. Implications for relationship management in triadic business relationship settings in the service context**

This research is conducted in business travel industry. However, other industries featured by triadic relationships may take advantage of the results of this study in their

relationship development, for example, *in service supply and sourcing*. There are a number of B2B services where adaptation between three actors is essential, for example between a constructor, construction company, and an architecture firm. The service triangle (cf. Phillips Carson et al., 1997; Gutek et al., 2002), i.e. a relationship setting with a customer, service organisation, and individual service provider in any service context needs adaptation. There are also a number of B2B services that can be compared to business travel services, where a unit or an individual employee has an important role between the end user and the service supplier, for example, contracted health services, training services, office equipment, and car leasing services. These services may also benefit from the results of the current study.

Even though technological adaptations are of the highest importance, the case studies provide much evidence of *the importance of dedicated contact persons and the social bonds between them*. This concerns both the managerial level and operational level. Dedicated contact persons provide the information needed to make successful adaptations. Actually, in the service context, *adaptations in services and service processes are not possible without a dedicated contact person who has the information of his/her own organisation, of the counterpart, and of the history of the co-operation*. In triadic relationship settings with an intermediary, the dedicated frontline employees have an important role in implementing the adaptations. They are the ones to communicate the adaptations and to put them into practice. *The dedicated contact persons' role as information providers is specifically important in centralised support services* where the end user needs updated information of adaptations in order apply the terms of the contracted services.

Furthermore, it was noticed that *the course an adaptation process takes, is itself at least as important as its outcomes*. The ups and downs along the way were on the minds of the informants all the way through the process. This specifically implies the setbacks. For example, the actors' perceptions that they were treated unfairly, or that they were not listened to, or not taken into consideration, gained more attention than the fact that the process ended up positively, and the adaptations were beneficial. The process itself may be a reason for deterioration of a relationship, even though the final outcomes of adaptation may be profitable and mutually agreed. Thus, *the importance of involving all the three firms, communicating and sharing information cannot be emphasised too much*.

### 5.3.2. Implications for corporate travel management

Corporate travel is a high cost item for many companies. Even though it is a company specific function, the results of this study may be used to evaluate the core relationships in travel management. For example, the results may give some conceptions of *how to cope with the impulses that put forward adaptations, and how to make adaptations that lead to desired relationship development*.

The adaptation impulses analysed in this study are *generic*. Thus, the analysis framework may *provide tools to analyse corporate travel management in companies with organised travel management, and to plan beneficial adaptations*. Schmidt et al. (2007) noticed that adaptations are generally not used for explicit relationship building

purposes, and a great deal of adaptations “just happen” without formal planning. *Adaptation phases can be systematically planned, and outcomes evaluated with the help of the concepts and visualisations provided in this study.* Furthermore, attention may be paid to the *direct and indirect connections between the co-operating firms.* The findings may also be used *when planning to organise, or reorganise business travel management.* The models and conceptualisations created in this study can be applied to evaluate and develop relationships in similar triadic relationship settings. For example, the actor adaptation chain, resource adaptation chain, and activity adaptation chain can be applied when planning adaptation in travel management process.

An important notion is that *travel management is more function based than actor based.* Previous research has noticed the importance of customer’s knowledge of, or familiarity with the service industry with which she/he deals with (Coulter and Coulter, 2003). In travel management, it is the buyer organisation that is in the first place responsible for the function. Thus, *well organised travel management and knowledgeable travel manager enhances co-operation and helps in requiring and implementing successful adaptations.*

*Finally, technology is important when developing the travel management process.* So are the travel agencies’ dedicated contact persons, and dedicated clerks, i.e. the experts that are the link between the suppliers and the buyer organisation. The study proves that technology has not reduced the need for personal contacts; on the contrary, it has increased it. Travel management is still people intensive. Thus, *a balance between technology and personal contacts should be found.*

#### **5.4. Judging the quality of the research**

This section addresses the quality of scientific research. I will first discuss the evaluation of qualitative research. Based on this discussion, I will present a set of criteria to judge the quality and trustworthiness of my research. The research process and the findings of the research are then evaluated in compliance with these criteria.

The quality of the research has traditionally been evaluated in terms of *internal validity, external validity, reliability and objectivity* (e.g. Denzin and Lincoln, 1994; Lincoln and Guba, 1985; Silvermann, 2000). This quality criterion is based on the dominating positivistic research tradition and objectivistic ontology. As stated in section 1.7, I base my research on the *interpretive approach* and *realist ontology*. Interpretive researchers face a dilemma when they want to claim that the knowledge they produce is true. Therefore, it would not be consistent to justify knowledge produced within the interpretive tradition using criteria based on an objectivistic ontology and epistemology. However, there is no common tradition of how to assess the quality of qualitative research and to justify the knowledge produced. Even though interpretive research cannot be evaluated with a pre-determined set of criteria in a mechanistic way, it does not follow that there are no standards at all by which to judge it (Spiggle, 1994; Klein and Myers, 1999; Cepeda and Martin, 2005; Sandberg, 2005).

An interpretive approach assumes that a person and the world are inextricably related through lived experience of the world. The ontological and epistemological assumptions

underlying the interpretive research tradition eliminate the existence of an objective knowable reality beyond the human mind. Instead, they stipulate that knowledge is composed through lived experience of reality. (Cepeda and Martin, 2005; Sandberg, 2005)

Healy and Perry (2000) assert that the quality of a research in each paradigm should be judged by its own paradigm's terms. I will base my discussion of the trustworthiness of the research on the criteria suggested by Lincoln and Cuba (1985): *credibility, transferability, dependability, and conformability*. Moreover, I want to include an additional criterion, emphasised by, for example, Morgan and Smircich (1980: 491), Gummesson (2000) and Healy and Perry (2000), namely *the appropriateness of the method* to my criteria. In the following, I will discuss these five criteria, which are illustrated in Table 14.

**Table 14 Quality criterion of the research.**

<i>Quality criterion</i>	<i>Definition</i>	<i>Strategy</i>
The appropriateness of the method.	Fit between the assumption of the nature of knowledge and the method of obtaining the knowledge (Healy and Perry, 2000).	Subjectivist epistemology and case study method as explained in section 1.7.
Credibility (internal validity).	How the phenomena of interest is understood from the participating actors' viewpoint (Gummesson, 2000).	Research diary, transcribing the interviews, visual aids. Opening up the research process and the steps and levels of analysis (sections 3.4, 3.5, 3.6) Peer reviewers in academic conferences. Multiple sources of evidence; interviews, industry reports, trade magazines. Multiple perspectives form the three "angles" of the triad. Triangulation. Prior theory to define concepts.
Transferability (external validity).	How well the results fit in the context of the research (Lincoln and Cuba, 1985).	Detailed description of research situation and methods. Explanation of the choice of adaptation impulses (section 3.4). Profound clarification of informants and the levels of analysis (section 4.2.4).
Dependability (reliability).	Auditability; a clear decision track to assume that the conclusions drawn are reasonable (Lincoln and Cuba, 1985).	Profound presentation of the research setting, research context, and changes in it (sections 3.3, 4.1 and 4.2). Stating the purpose of each section, stating the findings at the end of the section. Using quotations to support the analysis.
Conformability (objectivity).	The objectivity of the data.	Preunderstanding, " <i>personal multiple perspective</i> " to the investigated triads. Qualities of the researcher: Training, education, practicing the interviews.

#### 5.4.1. The appropriateness of the method

The appropriateness of the method implies *the fit between the assumption of the nature of knowledge and the method to obtain the knowledge*. The choice and appropriateness of a method, i.e. ontological appropriateness implies different assumptions of the nature of knowledge and the methods through which that knowledge can be obtained (Morgan and Smircich, 1980: 491; Healy and Perry, 2000).

The motivations for choosing the case study method are elaborated in detail in the section 1.7. In sum, the exploratory nature of the research speaks for the case study method. The research is exploratory, the *research setting is unique, complex and contextual, and it could not be understood through any other methods*.

#### 5.4.2. Credibility

Credibility corresponds with internal validity of the positivistic research tradition. The interpretive tradition believes that multiple realities exist in the minds of people, and the purpose is to understand the phenomena of interest from the participating actors' viewpoint (Gummesson, 2000).

The research process should be dynamic, and the readers should be able to follow it, and draw their own conclusions (Gummesson, 2000). I tried to promote the credibility of the research by *making the reasoning behind the theory development as transparent as possible*. I have described the research process in detail in sections 3.4 – 3.5, and the data analysis and interpretation in section 3.6.

Regarding *methodological trustworthiness* (Healy and Perry, 2000; Yin, 2003), I used relevant quotations in the case analysis, and developed a case study database in the form of a research diary. I made notes during and after each interview, writing down the atmosphere of the interviews, non-verbal communication, and the ideas I got for the next interview. I also transcribed the interviews word-by-word right after each interview, and made a summary of the visual aid drawings.

*Construct validity* (Gummesson, 2000; Healy and Perry, 2000; Cepeda and Martin, 2005) denotes utilising peer reviewers, multiple sources of evidence, multiple perspectives, triangulation, chain of evidence, and prior theory to define the concepts. Different parts of my research were presented in several academic conferences and doctoral colloquiums. Most of them had a double blind *review process*. The comments obtained on these occasions improved the quality of my research substantially. I also presented some findings of the research to my adult students who are experts in business travel management. Unfortunately, the key informants were not able to review a draft of the report due to lack of time.

I had the opportunity to apply *multiple perspectives* (cf. Healy and Perry, 2000; Ghauri and Grønhaug, 2002) to adaptations, because the informants represent actors from all the three “angles” of the triads. *Triangulation* is one of the ways to improve the

credibility and trustworthiness of the research. The empirical data was triangulated as described in section 3.6. I also used multiple theories and perspectives to interpret and explain the data, as the theory part of my research proves. Throughout the thesis, I used prior theory to define the concepts.

#### 5.4.3. Transferability

Interpretive research seeks to understand a moving target. (Klein and Myers, 1999: 71)

Transferability refers to the degree to which the results of qualitative research can be generalised or transferred to other contexts or settings. The discipline and rigor of qualitative analysis depends on presenting solid descriptive data, the “thick description” (Geertz, 1973) in such a way that readers can understand and draw their own interpretations (Patton, 1990). A thick description gives the context of an experience, states the meanings that organised the experience and reveals the experience as a process (Denzin, 1998: 324).

Transferability can be improved by describing systematically the research context and the assumptions that were central to the research, and to judge how well the results fit in the context in which they have been allocated (Lincoln and Cuba, 1985; Klein and Myers, 1999). The reader can then make judgments of how transferable the results are. In other words, the reader “transfers” the results of a study to another context.

To be able to do this, the reader needs to know about the original research situation in order to determine whether it is similar to his or her own. Therefore, researchers must supply a highly detailed explanation of their research situation and methods, and a critical reflection of the historical background of the research setting. (Klein and Myers, 1999) The detailed nature of the results, however, makes them ideal for transferability.

I have done my best to describe the research methods and context as detailed as possible in Chapter 3. For example, I have explained the choice of adaptation impulses (section 4.3), and made a profound clarification of informants and the levels of analysis (section 4.2). However, there are no all-inclusive answers to given situations. Transferring the results of other researchers’ may help us expand and adjust these practices, but results cannot always be transferred as such. It is important to consider differences between situations and modify the research process accordingly, because of “the moving target” (cf. Klein and Myers, 1999).

#### 5.4.4. Dependability

Instead of reliability, qualitative researchers employ the idea of dependability. In the positivistic tradition, reliability would mean that the same research could be replicated resulting in the same conclusions found in the original study. This criterion is not relevant within realistic ontology. The research findings are produced in interactions with the informants, and in constant movement between the theory and the empirical data.

Dependability emphasises the need for the researcher to explain the dynamic context in which the research occurs. The researcher is responsible for describing the changes that occur in the setting, and how these changes affected the way the researcher approached the phenomenon studied. Auditability is accomplished when we can follow the decision track and assume that the conclusions drawn are reasonable (Lincoln and Cuba, 1982).

Even though it is not possible to follow the long and winding road that led to the analysis framework, I have done my best to structure the report so that the dynamism of the research would unfold. I have presented the research setting, research context, and changes in it in detail in sections 3.3, 4.1 and 4.2. Furthermore, the purpose of each section is stated in the beginning of the consequent section, and the findings are stated at the end of each section. I have tried to demonstrate how my thoughts have evolved, and how I found answers to each of the research questions.

#### 5.4.5. Conformability

As it appeared through my own eyes, filtered through my own background, my likes and dislikes, qualified by my own strengths and weaknesses. (Read, 1965, in Geertz, 1990)

Conformability refers to the test of neutrality, which in turn is related to the objectivity criteria in the positivistic research tradition, and the notion of descriptive validity. However, qualitative research assumes that each researcher brings a unique perspective to the study, and that human beings cannot be objective.

In interpretive research, the informants' perceptions provide a window to a reality beyond their perceptions (Healey and Perry, 2000: 120). Even though the researcher would consciously try to bracket personal beliefs and views, it is impossible to see the world through the eyes of another (Hudson and Ozanne, 1988: 510). The advice that Easton (1995: 486) gives is to put ourselves in the position of the others when attempting to understand not only the phenomenon studied, but also the process that leads to this understanding. Geertz's (1973) interpretation of understanding highlights that the researcher cannot live the subject's perceptions, feelings, or meanings, but she/he can interpret them.

*Reflexivity* refers to the researcher's ability to critically reflect on her role in conducting the research and analysing the data. Gummesson (2000) claims that the researcher should have adequate access to data, and possess certain personal qualities. As I described in section 1.7.2, I have extensive experience, and thus pre-understanding of the research setting I was investigating. When making interpretations, extensive pre-understanding may guide your thoughts. I am well aware of Gummesson's (2000) warning of not to "*become the slave of your pre-understanding*", e.g. not to let it block innovative thinking. When doing the analysis, I kept in mind a guiding question suggested by Wolcott (1994: 21):

Am I attending as carefully to what is going on as I am attending to what I think is going on?

The researcher also holds experience and training that has both a positive and negative influence when conducting the analysis (Gummesson, 2000). Without my experience, both prior and present, I would not have had the access to the informants and the "peer

reviewers” in the travel industry. I had continued physical and mental access to the case actors and their informants (Gummeson, 2000). I was able to understand their “language”, and it was easier for them to talk to me when they knew that I understand.

Furthermore, my preunderstanding is based on multiple perspectives, i.e. I have myself been involved in a triadic relationship, and I have had the possibility to look at the triad from different perspectives. Had I acted only, let us say as a buyer, it would possibly have been more difficult to understand the other actors’ perspectives, and the triad as a whole.

I practiced the interviews before entering the field with a guinea pig who had been working in the industry. Even though each interview was different, the test interview gave confidence, and helped in conducting the real interviews. Furthermore, my education with extensive theoretical experience, and the practical work in the industry, and within adult education gave some self-confidence.

### **5.5. Limitations and avenues for further research**

Every research has its limitations, which provide avenues for further research. The limitations and suggestions for further research regarding the current study will be discussed in this section. Some limitations are intentional and concern *the qualitative orientation of the research*.

To conduct this research, I chose qualitative methods, and used in-depth interviews to gather the data. *The current case studies do not allow generalisation in the statistical way*. There are a number of areas that could be researched by quantitative methods, for example quantification of the amount of emergent adaptation (cf. Canning and Brennan, 2004), the costs and benefits of adaptation decisions (cf. Schmidt et al., 2007), and evaluation of returns on investment once the adaptation process is completed (cf. Brennan and Canning, 2002).

*A number of limitations concern the research setting.*

- (1) *First*, the empirical setting of this study represents *one industry and one type of triadic relationship setting*. Findings from other kinds of service industries could bring out new aspects, and give additional value to the research.
- (2) *Second*, the core triads consist of an industrial enterprise, its service supplier, and business travel agency partners. Each of them has their own roles, and besides their common goal, these three actors have their own goals, which may be even conflicting. Thus, in another context, with a different triadic setting, adaptations may obtain different features.
- (3) *Third*, the function that is the core of the co-operation in the triadic relationship settings, corporate travel management, was noticed to depend on functions, not on actors. The industrial enterprise of the current study has a well organised travel management, and a knowledgeable travel manager. This is a great help in co-operation. Without these qualities, travel management would be more actor

dependent. Even though adaptations cannot be transferred as such to other relationships, they benefit the succeeding relationships. This is a fact that may make it easier to change an actor, specifically the intermediary. In an actor specific triad, the change would probably require more adapting from all the actors, and the process would look different. The difference between adaptations in these two types of functions would be an interesting research topic to study.

Business research with a triadic approach is rare, thus *there are numerous avenues for further research with three-party relationships.*

- (1) *First*, this research supposes that adaptations are triad specific, and made to facilitate co-operation in the specific triads. Thus, adaptations are not transferable *as such*. However, as stated above, business travel management is dependent on functions. It would be tempting to study how much of the adaptations could be transferred from one triad to another, i.e. to study *to what extent the adaptations made in the former triadic relationship constellation facilitate the co-operation in the new constellation.*
- (2) *The second suggestion goes one step further*, to the investigation of industry specific development with the help of adaptations in triads. In the current study, by adapting, business travel agencies, service suppliers, and buyer organisations develop their own functions. A study of how triad specific adaptations can favour the development of the industry the triad is embedded in would be interesting (cf. Walter and Ritter, 2003: network effects). For example, the industrial enterprise created a successful international travel management concept with the help of its partners. Service suppliers and business travel agencies have other clients that need similar arrangements. Do adaptations in one triad have an impact on the development of international travel management in general? The same question could be posed regarding technology development and the integration that happens within the travel management process.
- (3) *Third, the role of the frontline personnel in business services is important, and deserves further investigation.* In the current case study, the travel agency clerks' role in executing adaptations was crucial. Adaptations are generally planned at the managerial level, but their implementation in practice happens in daily interactions. The clerks are the ones that get the feedback of how the new, adapted practices function.
- (4) *Fourth*, in this study, I traced adaptation impulses to look at the adaptations. The adaptation impulses discovered are both endogenous and exogenous. Three ways of how adaptations reach the entire triad were discovered: connected, derived and agreed. An analysis of a larger number of both kinds of impulses could raise several interesting questions: Is agreed adaptation easier to realise when the impulse is exogenous? When is connected adaptation in place, and when would agreed adaptation be more favourable?
- (5) Also the *fifth suggestion* concerns adaptation outcomes. Can a firm adapt too much, and what are the outcomes of such adaptive behaviour? What would be

the best way to reach structure-reinforcing development? Would it be, for example, restraining the use of power, making agreed adaptations, or coercing adaptations?

*Finally*, I chose to create a comprehensive analysis framework and applied all its components to the empirical study. I could, instead, have analysed only a few of its components in depth. This remains for future researchers to do. Each of the components of the framework can be placed in a similar context, or to a new and different context, and analysed in detail to find more nuances in adaptations in triadic relationship settings.

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Appendix 1 Selection of research on interfirm adaptation			
<i>Definition of adaptation</i>	<i>Method</i>	<i>Purpose of the research</i>	
	<i>Context</i>	<i>Perspective</i>	
Hallén Lars, Johansson Jan and Seyed-Mohamed Nazeem, (1991), "Interfirm Adaptations in Business Relationships". Journal of Marketing, Vol. 55 (April 1991), 29-37.		<i>Findings/Conclusions</i>	
No definition.	Quantitative: survey. Qualitative: interviews.	To explain the role of adaptation in business relationships. Tests propositions based on social exchange and resource dependence in business relationships.	Adaptations are associated with the <b>power</b> balance in the relationship. The actor with weaker power would have to adapt to the stronger actor.
	IMP-project 1982, 237 relationships. Manufacturing sector, international.	Quantitative: dyadic perspective Qualitative: buyers' perspective.	-customer importance => <b>supplier dependence</b> . -product complexity => <b>customer dependence</b> . Mutual adaptation is a consequence of trust building. Interfirm adaptations are elements in a social exchange process. Adaptive behaviour varies between the relationship stages.
Brennan Ross D and Turnbull Peter W (1995), "Adaptations in Buyer-Seller Relationships". IMP 11 <sup>th</sup> International Conference.			
"Buyer-seller adaptations are defined as behavioural modifications made by one company, at the individual, group or corporate level, to meet the specific needs of another organisation." (p: 182)	Qualitative In-depth interviews.	To investigate the ways in which the concept of inter-firm adaptations has been defined and measured, in order to suggest a "common construct definition". Suppliers' perspective.	Analysis of the dimensions of adaptation of the case studies.
	Automotive, telecommunication.		

Brennan Ross D and Turnbull Peter W (1999), "Adaptive Behaviour in Buyer-Supplier Relationships". Industrial Marketing Management 28, 481-495.	Differences in scale and formality of the adaptation. Categorises the decision-making processes according to the involvement of managerial levels: political, investment, socialisation, and evolutionary processes. Adaptations tend to increase levels of <b>trust</b> and commitment.	To draw conclusions about the forces that drive adaptive behaviour in buyer-supplier relationships. To reflect on the meaning of these findings for managers responsible for business relationship management.	To draw conclusions about the forces that drive adaptive behaviour in buyer-supplier relationships. To reflect on the meaning of these findings for managers responsible for business relationship management.	Differences in scale and formality of the adaptation. Categorises the decision-making processes according to the involvement of managerial levels: political, investment, socialisation, and evolutionary processes. Adaptations tend to increase levels of <b>trust</b> and commitment. Little association between adaptation and relationship age. Adaptive behaviour is influenced by the power balance, but does not alone explain it. Association between supplier adaptation and supplier's managerial orientation.
No definition.	-13 buyer-seller relationships. -Automotive and telecommunication.	Buyers' and sellers' perspectives.	Buyers' and sellers' perspectives.	Little association between adaptation and relationship age. Adaptive behaviour is influenced by the power balance, but does not alone explain it. Association between supplier adaptation and supplier's managerial orientation.
Jeffries Frank L and Reed Richard (2000), "Trust and adaptation in relational contracting". Academy of Management Review 2000, Vol. 25, No. 873-882	Conceptual.	How does trust affect the quality of solutions to problems of adaptation in relational contracting?	How does trust affect the quality of solutions to problems of adaptation in relational contracting?	Too much <b>trust</b> is as bad as too little. Solutions are furthest from optimal when both organisational and interpersonal trust are high or both are low.
Cannon Joseph P, Achrol Ravi S and Gundlach Gregory T (2000), "Contracts, Norms, and Plural Form Governance". Journal of the Academy of Marketing Science, Vol. 28, No. 2, 180-194	Quantitative: 396 buyer-seller relationships. (Response rate 23 %)	Investigates the performance implications of governance structures involving contractual agreements and relational social norms individually, and in combination under varying conditions and forms of transactional uncertainty and relationship-specific adaptation. How and under what conditions are contracts useful documents of governance?	Investigates the performance implications of governance structures involving contractual agreements and relational social norms individually, and in combination under varying conditions and forms of transactional uncertainty and relationship-specific adaptation. How and under what conditions are contracts useful documents of governance? -Buying organisations' perceptions.	Contracts and social norms are effective in enhancing supplier performance individually and in combination.  The use of multiple sourcing enhances the performance of a supplier in conditions of low uncertainty/adaptation, but not when uncertainty/adaptation are high.
No definition.	Variety of branches.	Investigates the performance implications of governance structures involving contractual agreements and relational social norms individually, and in combination under varying conditions and forms of transactional uncertainty and relationship-specific adaptation. How and under what conditions are contracts useful documents of governance?	Investigates the performance implications of governance structures involving contractual agreements and relational social norms individually, and in combination under varying conditions and forms of transactional uncertainty and relationship-specific adaptation. How and under what conditions are contracts useful documents of governance? -Buying organisations' perceptions.	Contracts and social norms are effective in enhancing supplier performance individually and in combination.  The use of multiple sourcing enhances the performance of a supplier in conditions of low uncertainty/adaptation, but not when uncertainty/adaptation are high.

Hagberg-Andersson Åsa, Kock Sören and Ahman Sara (2000), "Relations between small and medium-sized suppliers and a multinational buyer in a supply network - a study of adaptation", Recent Studies in Interorganisational and International Business Research. Proceedings of the University of Vaasa, report 58. Edts. Jorma Larimo and Sören Kock.				Suppliers are dependent on the buyers. Adaptations are found in the logistical functions and in implementing quality systems. The least amount of adaptations, are made within the area of knowledge.	
No definition.	Qualitative.	Analyses the adaptations made by small and medium-sized suppliers towards a larger multinational buyer in a business network.		Suppliers' perceptions.	
		Metal industry.			
Ahmad Rizal and Buttle Francis (2001), "Retaining business customers through adaptation and bonding: A case study of HDox". The Journal of Business and Industrial Marketing, 2001, 16, 6/7, 553-573.					
No definition.	Qualitative: interviews, observations, meetings, review of company documents.	Studies adaptation as a strategy for retaining business customers, or in preventing the relationships from fading away.		Suppliers' perspectives.	Customer retention primarily occurs by bonding the customer at the financial, social and structural level.
			Chemical industry.		
Canning Louise and Hammer-Lloyd Stuart (2001b), "Managing the environmental adaptation process in supplier-customer relationships". Business Strategy and the Environment, 10, 225-237.					
No definition.	Qualitative: in-depth interviews.	To develop understanding of the adaptation processes: how environmental adaptations are introduced in the existing supplier-customer relationships.		Suppliers' and customers' perspectives.	The need to understand adaptation as a process: the events, activities and stages. Expands understanding of environmental co-operation (or adaptation) to take into consideration the process by which this is achieved. Gives guidelines for managing the process of environmental adaptation.
			-telecom, cable, plastics, label suppliers.		

Canning Louise and Hammer-Lloyd Stuart (200a), "Building trust and commitment in the buyer-seller adaptation process" IMP Annual Conference 2001, Oslo, Norway			
No definition.	Qualitative: in-depth interviews.  Telecom, cable, plastics, label suppliers.	To explore trust and commitment within the environmental adaptation process.  Suppliers' and customers' perspective.	The key stage of the adaptation process where <b>trust</b> and commitment was either built or eroded is information exchange during negotiations.
10. Fang Tony (2000), "Culture as a Driving Force for Interfirm Adaptation". Industrial Marketing Management Vol. 30, Number 1, 51-63.			
"Adaptations can be defined as behavioural modifications made by one company, at the individual, group or corporate level, to meet the specific needs of another organisation." (Brennan and Turnbull 1995: 182)	Qualitative: case study, in-depth interviews.  Shipbuilding project.	Does culture influence interfirm adaptation?  Negotiations partners.	"Culture drives interfirm adaptations decisively through the values held by the people who are at the centre of interfirm adaptations in business relationships." (p. 62)
Brennan Ross and Canning Louise (2002), "Adaptation Processes in Supplier-Customer Relationships". Journal of Customer Behaviour, 2002, 1, 117-144.			
Modifications at the individual, group or corporate level which are carried out by one or both parties in an exchange relationship in order to suit new needs or conditions. and which are designed initially for that specific relationship (Canning, 1999: 35).	Qualitative: in-depth interviews.  -Two phases: inter-firm adaptation, intra-firm adaptation.	To present a comprehensive model of the adaptation process in inter-firm relationships.  -What sorts of activities does the adaptation process entail – between and within firms?  -How does the sequence of events, activities and stages proceed?  -What implications do these have for managing the adaptation process?	Provides the intra-firm and inter-firm adaptations process model (information exchange – negotiation – commitment – performance).  Adaptations are stimulated by the desire to: -deal with uncertainty due to changing business conditions. -make better use of the resources tied to the relationship.

	<p>-Automotive, telecommunication and IT industry.</p>	<p>Buyers and sellers perspective. Shared experience of specific adaptations.</p>	<p>-make better use of each actor's resources, to reduce the costs of doing business. Adaptations are not linked to the stages of the relationship life-cycle. The adaptations are primarily for the benefit of the customer, and initiated by them. The willingness to co-operate with the third party encourages the progression of the process. Trustworthiness: the behaviour and experience of managers involved in the inter-firm process can hinder/facilitate efforts to realise the adaptations.</p>
<p>Canning Louise and Hammer-Lloyd Stuart (2002), "Modelling the adaptation process in interactive business relationships". Journal of Business and Industrial Marketing, Vol. 17, No. 7 2002, 615-636 Modifications at the individual, group or corporate level which are carried out by one or both parties in an exchange relationship in order to suit new needs or conditions, and which are designed initially for that specific relationship (Canning, 1999: 35).</p>	<p>Qualitative -24 semi-structured interviews.  Telecom, cable, plastics, label suppliers.</p>	<p>Modelling the process of adaptation in exchange relationships in organisational markets. Focusing on the adaptations intended to improve environmental performance. The types of adaptation: What sort of activities does the adaptation process entail: inter- and intra-firm? How does the sequence of events, activities and stages proceed? Suppliers' and customers' perspective. Shared experience of specific adaptations.</p>	<p>The types of adaptations (tactical, strategic, ad hoc, emergent or tacit) The scale and formality of adaptation (political decision, socialisation decision making process) The process of adaptation; coordinated effort between information exchange, negotiation, commitment, and execution phases. Managerial behaviour, managers' experience, and credibility affect the progression.</p>

Walter, Achim and Ritter, Thomas (2003), "The influence of adaptations, trust, and commitment on value-creating functions of customer relationships", Journal of Business and Industrial Marketing, Vol. 18, No. 4/5, 2003, 353-365.		Suppliers' adaptation and customers' trust and commitment are identified as key drivers for value creation.	
Customer-specific adaptations are all those changes in the supplier's resource deployment which are only done for the customer in question, in order to better match the supplier's offering to the customers' problem.	Quantitative.	What are the drivers for value creation in business relationships.	
	Multiple (mechanical engineering).	Suppliers' perspective.	
Brennan Ross D, Turnbull Peter W and Wilson David T (2003), "Dyadic adaptation in business-to-business markets". European Journal of Marketing Vol. 37, No. 11/12, 2003, p. 1636-1665		European Journal of Marketing Vol. 37, No.	
"Dyadic adaptations are defined as behavioural or organisational modifications at the individual, group or corporate level, carried out by one organisation, which are designed to meet the specific needs of one other organisation."	Mixed	Classification: production planning and scheduling, stockholding and delivery, product, information exchange, production process, financial or contractual terms and conditions, organisation structure.	
	Qualitative study: In-depth interviews.	Automotive industry How can adaptations in inter-firm, buyer-supplier relationships be defined, classified and measured? What factors predispose partners in a buyer-supplier relationship towards adaptation behaviour?	Measurement: single classification system. Mutual adaptation is a component of the <b>trust</b> -building process, and unilateral adaptation a response to the power relationship.
	Quantitative study: Questionnaire.	Qualitative phase: buyers and sellers perspective. Quantitative phase: Seller's perspective.	
Brennan Ross and Canning Louise (2004), "Towards an enrichment of the IMP concept of 'adaptations'". IMP Annual Conference 2004, Copenhagen.		IMP Annual Conference 2004, Copenhagen.	
No definition.	Conceptual.	The IMP concept of adaptation is a metaphor with its origins in biology and economics, but the metaphorical origins of the term have been largely neglected in the literature, and some of the complexity of the concept has been lost.	
		To enrich the concept of inter-organisational adaptation within networks by returning to the original metaphor. Examines evolutionary processes in both biological and economic systems, and the meaning of adaptation within such processes.	

<p>Canning Louise and Brennan Ross (2004), "Strategy as The Management of Adaptation". IMP Annual Conference 2004, Copenhagen.</p> <p>"Modifications at the individual, group or corporate level which are carried out by one or both parties in an exchange relationship in order to suit new needs or conditions, and which are designed initially for that specific relationship." (Canning, 1999: 35).</p>	<p>Qualitative: Interviews.</p>	<p>To develop a more integrative understanding of the characteristics and significance of adaptation. Considers strategy and adaptation both in terms of content and process. Investigates the connection between adaptation at the supplier-customer relationship level, marketing level, and business strategy level.</p> <p>Dyadic approach.</p>	<p>Adaptation of the way in which a firm organises resources in order to achieve its goals is a central feature of strategy content and processes at all the three levels (business, market and relationship level).</p> <p>Intrafirm/interfirm processes.</p>
<p>Jahre Marianne and Fabbe-Costes Nathalie (2005), "Adaptation and adaptability in logistics networks" International Journal of Logistics Research and Applications, Vol. 8, No. 2, June 2005, 143-157.</p> <p>No definition.</p>	<p>IT and telecommunication industries.</p>	<p>To discuss trade-offs between adaptation and adaptability, and to provide more understanding of the implications of the choice of system level (supply chain vs. network) with regards to the result that the case of a resource changes.</p>	<p>Trade-offs between adaptability and adaptation relate to system levels, development over time, and degree of adaptation.</p>
<p>Hagberg-Andersson Åsa (2006), "Does adaptation pay off". Industrial Marketing Management, 35, 202-209.</p> <p>"Adaptations can be defined as behavioural modifications made by one company, at the individual, group or corporate level, to meet the specific needs of another organisation." (Brennan and Turnbull 1995: 182).</p>	<p>Qualitative: -Case studies. -Interviews.</p> <p>Metal industry.</p>	<p>To describe a case of successful adaptation from suppliers towards a multinational buyer in a supply network. To draw conclusions about the motives and outcomes of the adaptive behaviour.</p> <p>Suppliers' and buyers' perspective.</p>	<p>The individual suppliers adapted collectively towards the focal buyer by starting or improving the calibration of their measuring equipment.</p> <p>Motives for adaptation: -to decrease dependency on the buyer. -to improve quality of produced goods. -to save time and money.</p> <p>Outcomes: -the supplier's dependence on the buyer was decreased. -time and money savings for both buyer and supplier.</p>

Scully Declan, Kalafatis Stavros and Samouel Philip, "Adaptation in business relationships: The impact of uncertainty and relational norms", IMP 2007 Conference Manchester		The presence of norms is likely to engender increased adaptation within interfirm relationships even in situations in which uncertainty is present.	
No definition.	Survey with 225 respondents. Car components sector.	Social norms as a means of dealing with uncertainty. Supplier perspective.	
Schmidt, Sven-Oliver, Tyler, Katharine and Brennan, Ross, "Adaptation in inter-firm relationships: classification, motivation, calculation", Journal of Services Marketing, 21/7, (2007) 530-537.	22 semi-structured in-depth interviews.	To broaden the existing body of knowledge about adaptations and to suggest implications for managers responsible for relationship management.	Adaptations by suppliers for customers are more frequent and of generally greater magnitude than adaptations by customers for suppliers. Adaptations to personnel/human resources made only after a firm has already made other adaptations, including logistics and products/production (secondary adaptations). Adaptations to personnel/human resources and to organisation structure were more likely to be motivated by the desire to build trust within the relationship, or to make a strategic investment in the relationship. Firms adapt within the supplier-customer relationship largely for clear-cut operational reasons with a well-defined pay-off, rather than for reasons of general relationship development.
Behavioural or organisational modifications that take place at the individual, group or corporate level for individual partners. The term "dyadic" seeks to differentiate changes to business practices that are undertaken in response to the specific circumstances of a particular buyer-seller relationship from those that are undertaken in response to wider environmental or market conditions.	Primarily service based: transport engineering, printing and pharmaceutical industries in Germany and UK.	Buyers' and sellers' perspectives.	

**Suggested further research regarding adaptation.**

*Brennan and Canning (2004)*

- The relative importance of chance processes and design processes in inter-firm adaptation; to what extent are the selection processes in inter-organisational networks driven by internal strategy, and to what extent is it the case that organisations which 'happen' to have the right characteristics thrive in particular network environments?
- Adaptations play a central role in Darwinian evolution and a lesser role in punctuated equilibrium theory; does one or other theory apply better to inter-firm adaptations within networks? Are there network or environmental conditions that promote one or other adaptation process?
- Smith's (1993) classification of adaptations (genetic adaptation, reversible rapid adjustment, reversible slow adjustment). Is this applicable to inter-firm adaptation in networks?
- In biology, the eventual result of accumulated adaptations is the evolution of new species. Can similar outcome be predicted within inter-organisational networks, and what are the consequences of such a perspective?

*Canning and Brennan (2004)*

- Development of measures that might be used to determine the effect on firm performance of adaptation at the business strategy, marketing and relationship level.
- Costs and benefits of the adaptation process that can be transferred elsewhere. Evaluation of returns on investment once the adaptation process is completed.

*Jahre and Fabbe-Costes (2003)*

- How could adaptation and adaptability be obtained at the same time?

*Brennan et al. (2003)*

- Adaptations in "pure" service industries, in-depth research within single dyads, data gathering from both ends of the dyad, retrospective analysis of past adaptations, longitudinal research, co-interview techniques, survey: how to match the pairs?

*Brennan and Canning (2002)*

- Quantifying the extent of socialisation/emergent adaptation. Ethnographic/action research approach: investigation of a single supplier/customer relationship in depth.

*Hällén et al. (1991)*

- Cultural differences in interfirm adaptation. Adaptation dynamics with cross-sectional data from business relationships in different development stages.

*Canning and Hamner-Lloyd (2002)*

- Failed attempts at adaptation or breakdowns in the process. How to link managers' judgement of the process (the model) and assessment of the benefits accumulated from the adaptation.

*Walter and Ritter (2003)*

- The network effects of adaptation.

## Appendix 2 Selection of research related to triadic relationship setting in business context.

<i>Focal triad</i>	<i>Method</i>	<i>Purpose of the research</i>	<i>Findings/Conclusions</i>	<i>Theoretical background</i>
Choi, Thomas and Wu Zhaohui Wu (2009), Triads in supply networks: Theorizing buyer-supplier relationships, Journal of Supply Chain Management, Jan 2009, 45, 1: 8-25.	Conceptual.	Analyses three-way interactions among the buyer and its suppliers.	Identifies nine triadic archetypes of buyer-supplier relationships and state key propositions that aid in decision making in supply networks.	Balance theory, structural hole, supply chain management, supply networks.
Andersson Cederholm, Erica and Gyimóthy, S (2005), Tjänstens triad – Från ömsidig harmoni i tjänstemöten, in Servicemötet – Multidisciplinära öppningar, Corvéllec H. and Lindquist, H, eds. Författarna och Liber AB.	Qualitative -interviews.	To analyse the complexity of triadic service relationships with the help of theories from sociology.	Triad as an analytic tool helps to understand that the roles and relationships are not static. It is easier to understand the dynamics of power, loyalty and commitment in service relationships.	Sociology.
Stefan Wuyts, Stefan Stremersch, Christophe Van den Bulte, Philip Hans Franses (2004), Vertical Marketing Systems for Complex Products: A Triadic Perspective, Journal of Marketing Research, Chicago: Nov 2004.Vol.41, Iss. 4: 479.	Quantitative, conjoint experiment.	Investigates buyers' preferences for specific patterns of relationships among buyers, intermediary vendors, and suppliers of complex products.	Buyers' value sequences of selective strong ties as well as sequences of more numerous weak ties. The authors find only mixed evidence that buyers value direct access to suppliers when strong ties exist between the vendor and suppliers, as predicted by the third-party sanctioning argument in social network theory. In addition, they find that interaction intensity and valence do not always have the same effects, thus providing criterion validation to the bidimensional nature of tie strength that has been documented in previous research.	Social network theory.

<p>Madhavan, Ravindranath, Gnyawali, Devi R and He Jinyu (2004), "Two's company, three's crowd? Triads in cooperative – competitive networks". Academy of Management Journal. Vol 47, No. 6, 918-927.</p>			
<p>Competitor – alliance network.</p> <p>Transitive triad, a triad where each of the three firms has a direct tie to both the others.</p>	<p>Quantitative</p> <p>-Applies network model p* (Wasserman &amp; Pattison 1996).</p>	<p>-To advance triadic analysis on both conceptual and methodological fronts.</p> <p>-To study how common is triadic structure in competitor alliance networks and the likelihood a firm will select particular types of partners.</p> <p>-What factors determine firms' tendency to form transitive triads.</p>	<p>There is the tendency to form transitive triads, especially within blocks defined by geography or technology.</p> <p>Clustering-driven triads (competitive motives) can be observed in geographic blocks.</p> <p>Countering-driven triads (co-operative motives) can be observed in technology blocks.</p>
<p>Trimarchi Michael and Tamaschke Rick (2004), " Coordinations in business interactions between Hong Kong Chinese, mainland Chinese, and Western actors"</p>			
<p>intermediaries - sellers - buyers</p> <p>Analysis</p> <p>-Intermediary-seller dyad</p> <p>-Intermediary-buyer dyad</p> <p>A triad is defined as the exchange relationship which exist between three firms.</p>	<p>Case study</p> <p>23 cases</p> <p>Structured interviews</p> <p>Not specified triads, or dyads.</p>	<p>To explore the coordination mechanisms that exist between Hong Kong Chinese intermediaries, mainland Chinese sellers and Western buyers.</p>	<p>Identification of a <b>plural triad</b>, which construct is flexible in that it will accommodate relational/classical exchange coordination scenarios besides those uncovered by this study.</p>
			<p>IMP, international marketing.</p>

<p>Havila Virpi, Johanson Jan, Thilenius Peter (2004), "International business-relationship triads". <i>International Marketing Review</i>, Vol. 21, No. 2, 172-186.</p>			
<p>Buyer – seller – intermediary Analysis: -intermediary-customer dyads -supplier-customer dyads</p>	<p>Structured interviews. Lisrel analysis.  Manufacturing sector. IMP2-project, 89 international triadic business relationships</p>	<p>Investigates whether a triadic approach should be used in studies of international business relationships where intermediary, buying party and selling party exists. Trust and commitment are used to study if business triads are different from business dyads.</p>	<p>-Business relationships function as entities, as triads where social interaction is interlinked so that higher interaction between one pair of actors means lower interaction in the other pair of actors. -A triadic approach instead of dyadic should be applied in situations where the social interaction pattern indicates that the business relationship has the form of a triad! -Higher trust, in the setting of international business-relationship triads is driven by increasing commitment. -Trust rather than commitment can be the final outcome of the relationship building process.</p>
<p>Svensson Göran (2004): Triadic trust in business networks: a conceptual model and empirical illustration. <i>European Business Review</i>, Vol. 16, No. 2, 165-190</p>			
<p>Various triadic business networks with the unifying feature of the three actors' simultaneously perceived trust towards each other.  Different industries, different size companies, inter- and intraorganisational context.</p>	<p>Quantitative</p>	<p>To describe and apply a method, which may be used to measure and evaluate the overall trust in a triadic business network. How can the trust in a triadic business network be measured and evaluated?</p>	<p>Introduces a method to analyse the dynamics of trust in triadic business networks, the perceptual triadic network method (PTN) The constructs of "balance of triadic trust" (BTT), "level of triadic trust" (LTT), and "quality of triadic trust" (QTT) are introduced and developed.</p>
<p>Svensson Göran (2004): Triadic dependencies in business networks. <i>European Business Review</i>, Vol. 16, No. 5, 473-493</p>			
<p>Various triadic business networks with the unifying feature of the three actors' simultaneously perceived trust towards each other. Different industries, different size companies, inter- and intraorganisational context.</p>	<p>Quantitative PTN-method is applied.</p>	<p>How can the dependence issues in a triadic business network be measured and evaluated?</p>	<p>The dependence issues should under some circumstances be measured and evaluated in a triadic context. The constructs of "mutuality of triadic dependences" (MTD), "level of triadic dependences" (LTD), and "balance of triadic dependences" (BTD) are introduced and developed.</p>
			<p>Marketing channel</p>

Wuyts Stefan, Stremersch Stefan, Van den Bulte Christophe and Franses Philip Hans (2004): Vertical Marketing Systems for Complex Products: A Triadic Perspective. Journal of Marketing Research, Vol. XLI (November 2004), 479-787.				
Suppliers – a vendor – a buyer	Quantitative -mail survey -conjoint experiment	To investigate business buyers' preferences for specific types of vertical triads that consist of suppliers, a vendor, and a buyer in a technology intensive market that exhibits extensive knowledge flows.	-Buyers go beyond the channel dyads they are involved in when they consider the appeal of a channel, which confirms the value of a triadic and broader network perspective.	-Social exchange theory -Transaction cost economics
Buyer's perspective.				
Khurana, Rakesh (2002), Market Triads: "A Theoretical and Empirical Analysis of Market Intermediation". Journal of the Theory of Social Behaviour, 32:2, 0021-8308, 239-262.				
CEO candidates – executive search firms – firms searching CEO.	Qualitative -Case studies, in-depth interviews, observations, archival.	Introduces an alternative role played by the third party: intervention. To articulate a deeper understanding of intermediaries in markets. What conditions give rise to the intermediary role? How do intermediaries facilitate the exchange between the two main actors in it?	Three characteristics of CEO labour market give rise to intermediary participation: few buyers and sellers, high risk to both parties, institutionalised gaps between buyers and sellers. The major elements in the intermediary role to facilitate the exchange between the two main actors: co-ordinating, mediating and legitimating.	Sociology (Simmel) Organisational behaviour.
-3 perspectives.	Executive firms and their clients.			
Gutek, Barbara A, Groth, Markus and Bennett, Cherry (2002), "Achieving service success through relationships and enhanced encounters", Academy of Management Executive, 2002, Vol. 16, No. 4, 132-144.				
Customer – service provider - organisation -3 separate dyads	Conceptual Practical	To provide a conceptual and a practical approach to understanding the interaction between the three entities in service deliveries.	Presents a typology of service delivery strategies based on a distinction between <i>service relationships</i> (tight links between the individual service provider and customer) and <i>service encounters</i> (loose links between provider and customer)	Service marketing Organisational behaviour

Phillips, Joan M, Liu, Ben S and Costello, Thomas G (1998), "A Balance Theory Perspective of Triadic Supply Chain Relationships": Journal of Marketing Theory and Practice, Special Issue 1998, 78-91.				
Simulated supply chain, business students as actors. Customers' and manufacturers' perspective. Unidirectional relationships. No definition	Quantitative -Laboratory experiments	To provide a more holistic understanding of multi-member relationships. How to best co-ordinate the relationships among multiple members in a supply chain.	The influence of customer loyalty to the dealer on the manufacturer's satisfaction with the dealer is mediated by customer loyalty to the manufacturer and moderated by dealer loyalty to the manufacturer. <b>The importance of analysing multi-member relationship simultaneously rather than as separate dyads!</b>	Distribution channels. Applies Heider's Balance Theory in simulated three-member distribution channel.
Phillips Carson Paula, Carson Kerry D, Knouse Stephen B and Roe William C (1997): "Balance theory applied to service quality: a focus on the organization, provider, and consumer triad". Journal of Business and Psychology, Vol 12, No. 2, Winter 1997, 99-120.				
Service triangle: Service organisation – service provider – consumer Alignments in the dyads in the context of the other two dyads. ( 3 separate dyads) No definition.	Conceptual	How service organisation – service provider – consumer interrelationships influence service quality.	To maintain perceptions of high service quality, the service triangle must be actively managed. Empowerment and training efforts as examples.	Applies Heider's (1958) Balance theory Service quality
Gentry Julie J. (1996), "Carrier involvement in buyer-supplier strategic partnerships", International Journal of Physical Distribution & Logistics Management, Vol 26, No 3, 14-25.				
Buyer, supplier, carrier Either buyer's, supplier's or carrier's.	Qualitative, 5 in-depth case studies	To assess the carriers' perceived importance and degree of participation within the buyer-supplier partnerships. To explore the relationships between strategic partnerships and supply chain management by presenting more detailed information from firms involved in three-way relationship.	Partnership dimensions: long-term commitment, open communication and information sharing, co-operative and continuous improvements, the sharing of risks and rewards of the relationship. Carrier involvement enhances strategic partnership.	Logistics, supply chain management

Havila Virpi (1996), "International Business-Relationship Triads, A study of the changing role of the intermediating actor," Doctoral Thesis, Department of Business Studies, Uppsala University 1996.				
Supplier – intermediating actor – customer 1 <sup>st</sup> phase: triadic perspective 2 <sup>nd</sup> phase: Supplier – intermediating actor	Qualitative	The role of the intermediating actor in international business triads.	The roles of the supplier and the intermediary in a business-relationship triad may differ depending on the type of the triad: unitary triad works like a group, serial triad as a series of dyads.	Social exchange framework IMP.
Supplier – distributor – end user. Distribution centre's perspective.	Qualitative - Semi-directive interviews with 4 people in 10 distribution centers. Energy distribution.	To investigate the strategic interplay of actors involved in a tripartite relationship which aim at maintaining or modifying each actor's position relative to the other actors in the relationship and in the surrounding network, using both direct and indirect action.	Discusses the different behaviour patterns between the actors. Shows the actors search for an optimal distance between the supplier and the intermediary. According to its own resources, the intermediary tries to deal with its own end-user market in an autonomous way or to use resources represented by the supplier and other actors in the connected network.	IMP: Interaction model.
Padro, C. and Salle, R. (1994), "Strategic interplays of an actor in a relationship with a distributor" <i>Industrial Marketing Management</i> . Vol. 23, 403-418.				
Yamagishi, Toshio., Gillmore, Mary R, Cook, Karen S. (1988): "Network connections and the distribution of power in exchange networks". <i>American Journal of Sociology</i> , Vol. 93, No. 4, 833-51.				
Students: 28x5 person groups + 12x5 person groups.	Laboratory experiments.	To study distribution of power in differently organised exchange networks.	"two exchange relations, A – B and B – C, share the same actor, B, is not sufficient evidence that the two relations constitute a network, A – B – C. Rather, two exchange relations, A – B and B – C, are defined as connected at B to form a larger network structure, A – B – C, only when exchange between A and B to some extent affects exchange between B and C, and vice versa." (p. 835) The locus of power in exchange networks is determined by the nature of the network connections (positive, negative, mixed) and the scarcity of resources.	Sociology.

## Appendix 3 The case study interviews.

The case study interviews were conducted 25.4.2005 – 18.8.2005.

The names of the informants, and the organisations they represent, are not revealed in order to keep the information confidential.

Industrial enterprise	Business travel agencies	Service suppliers
INFORMANT 1a Travel Manager 25.4.2005 at 9.00-11.30 words: 10 145	INFORMANT 2a Former travel agency District manager 11.5.2005 at 14.30-16.00 words: 3719	INFORMANT 3a Airline A Account manager 2.6.2005 at 11.20-12.40 words: 8757
INFORMANT 1b Traveller, Project director 10.6.2005 at 8.30-9.30 words: 6670	INFORMANT 2b Present travel agency Nordic manager, Financial Control 26.5.2005 at 11.00-13.15 words: 6372	INFORMANT 3b International hotel chain Sales manager 9.8.2005 at 13.00-15.00 words: 6750
	INFORMANT 2c Present travel agency Operation manager 26.5.2005 at 11.00-12.15 words: 4792	INFORMANT 3c Airline B Director 18.8.2005 at 9.00-10.30 words: 5534
	INFORMANT 2d Former and present travel agency Clerk and account manager 6.6.2005 at 15.00-16.00 words: 4341	
	INFORMANT 2e Former travel agency General manager 20.6.2005 at 10.00-11.00 words: 4807	

## Appendix 4 Classification of impulses

<b>Themes</b>	
Advisor Airline alliances Airline deregularisation Bonus programmes BSB deregularisation Business travel commonplace Business travel is hard work Centralising Changing buying behaviour Commission cutting Competition Consulting Contracts Convenience Coordination Coordination (loss of) Cost saving Crosswise tickets Economy class Efficiency E-tickets Fair play Flexible tickets (suppliers) From suppliers' side to client's side GDS Globalisation Ground services (decrease) Inexpensive tickets (buyer) Internet Internet bookings	Internet travel agencies Leisure travellers Low-cost carriers Management reporting Multiple services Natural catastrophes New business sites New roles No contradiction No glamour in business travel No use to concentrate purchase No-show seats Open books Outsourcing Override commissions Personal relationships Recession Restrictions Rules Sales channel fragmentation Self booking Service centers Technology development Terrorism Travel management Travel manager Travel policy Use of time Virtual meetings Weekend prices

<b>Classification of themes to impulses</b>	
Saving campaign	Airline alliances Centralising Competition Contracts Coordination Cost saving Economy class GDS Globalisation Internet Low-cost carriers Management reporting New roles

	<ul style="list-style-type: none"> <li>Outsourcing</li> <li>Personal relationships (increase)</li> <li>Sales channel fragmentation</li> <li>Travel manager</li> <li>Travel policy</li> <li>Virtual meetings</li> </ul>
New sales channel	<ul style="list-style-type: none"> <li>Airline deregularisation</li> <li>BSB deregularisation</li> <li>Competition</li> <li>Coordination (loss of)</li> <li>Cost saving</li> <li>Efficiency</li> <li>E-tickets</li> <li>Ground services (decrease)</li> <li>Internet bookings</li> <li>Internet travel agencies</li> <li>Management reporting</li> <li>Multiple services</li> <li>Outsourcing</li> <li>Personal relationships (decrease)</li> <li>Recession</li> <li>Self booking</li> <li>Service centres (no thanks)</li> <li>Technology development</li> <li>Use of time</li> </ul>
Change in earning logic	<ul style="list-style-type: none"> <li>Advisor</li> <li>Airline deregularisation</li> <li>Commission cutting</li> <li>Competition</li> <li>Consulting</li> <li>Cost saving</li> <li>Fair play</li> <li>From suppliers' side to client's side</li> <li>New roles</li> <li>No contradiction</li> <li>Open books</li> <li>Override commissions</li> <li>Recession</li> </ul>
Business and leisure travel convergence	<ul style="list-style-type: none"> <li>Business travel commonplace</li> <li>Business travel is hard work</li> <li>Changing buying behaviour</li> <li>Competition</li> <li>Convenience</li> <li>Cost saving</li> <li>Crosswise tickets</li> <li>Flexible tickets (suppliers)</li> <li>Inexpensive tickets (buyer)</li> <li>Leisure travellers</li> <li>No glamour in business travel</li> <li>No use to concentrate purchase</li> <li>No-show seats</li> <li>Restrictions</li> <li>Rules</li> <li>Weekend prices</li> </ul>



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