

TOWARDS DEVELOPING A CONSTRUCT OF RELATIONSHIP ATMOSPHERE

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ABSTRACT

This paper continues the investigation into the make up of relationship atmosphere. This ongoing study of the complex nature of relationship atmosphere and its role in supplier/customer relationships, has to date led to some interesting findings. These findings will be briefly discussed in order to highlight the need for this more indepth analysis of the phenomena of relationship atmosphere.

It is the intangible nature of atmosphere that poses problems in conceptualisation and measurement. Nonetheless, consensus of opinion would seem to exist on the key dimensions of atmosphere. This paper initially examines these dimensions of relationship atmosphere - trust, power, dependency, commitment, utilising source data provided within the framework of the IMP2 project to carry out this research.

It then builds on findings of previous studies by the author, which identified an alternative way of viewing atmosphere in the interaction model, as a perception of each actor in the relationship (ie., a perceived atmosphere.). However this research looked only at individual dimensions and therefore did not give a holistic view of the relationship atmosphere.

This paper aims to address this shortfall, by showing how the author intends to develop a construct of relationship atmosphere, which can be used to investigate and compare the concept of atmosphere across relationships.

INTRODUCTION

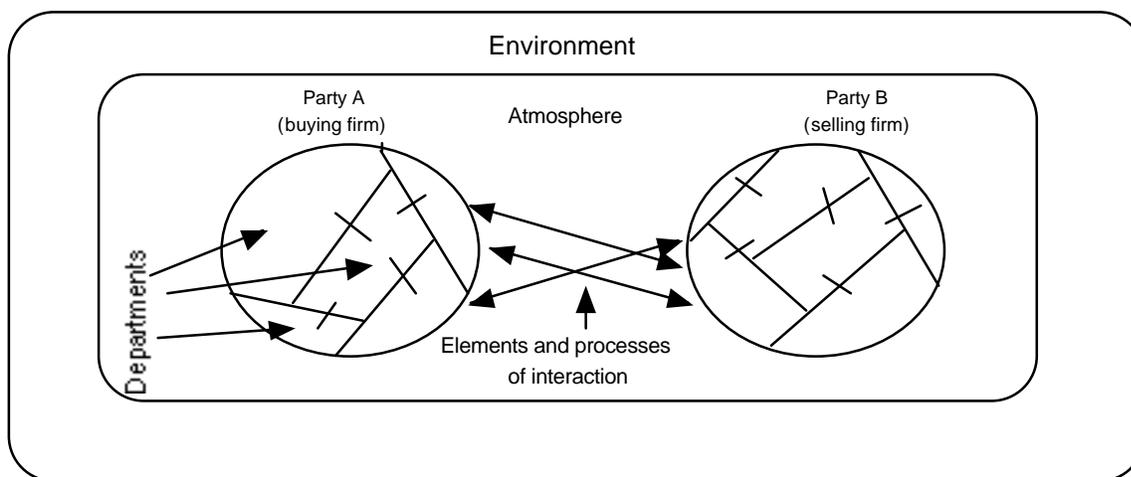
Relationships and the Interaction Model

Continued interest has been shown in business relationships and their role in business (industrial) markets. The traditional single transaction orientated approach has been replaced by the interaction approach. The interaction approach is relationship based and considers the interaction between the parties (buyers-sellers) as central to the exchange process. Research has also shown that the relationships formed from these interactions are often lasting and committed. These

long-term relationships are based on a mutual orientation and commitment overtime. (Hakansson & Snehota, 1995). This mutual commitment which often manifests itself in continual investment and adaptation by the two parties, leads to interdependence, which in turn becomes a central part of the relationship.

Relationships in business markets are therefore a result of interactions in the exchange processes . These exchanges include not just product/service exchange but also information, financial, technical and social exchange. The interaction obviously does not take place within an emotional vacuum (Hallen & Sandstrom, 1991). This is probably the most interesting realisation to have come from the move away from the “anonymous” transaction based approach to the specific buyer-seller relationship or interaction approach. Indeed since the interactions are assumed not to take place in a vacuum, they must have some “emotional setting” which sets the scene for relationship development, generally referred to as the relationship atmosphere. The interaction approach, developed by the IMP Group explicitly integrates relationship atmosphere into a model- the “Interaction Model” (IMP 1982), comprising four main components, the actors in interaction, exchange episodes, relationship atmosphere and the broader environment of the relationship resulting from the exchange. This is illustrated in figure 1.

Figure 1: The Interaction Model (IMP 1982)



Atmosphere

Relationship atmosphere is viewed, conceptually as both a product of the relationship and a factor contributing to future relationship development. (IMP, 1982) As pointed out above relationships are developed through interaction between the parties over time. It is therefore more appropriate to view atmosphere as a product of the interactions. It would seem to be problematic to measure the atmosphere of the relationship since what is considered to be its creator is also considered to be indirectly influenced by it, ie. the actions of the parties. (Hallen & Sandstorm, 1991). However much research has been carried out by members of the IMP group to measure atmosphere through various dimensions. (The method will be discussed later in the paper.) These dimensions typically include such descriptors of atmosphere as co-operation/conflict, power/dependence, trust/opportunism, closeness/distance and expectations. Continued discussion about and refinement of these dimensions has taken place over time, in

particular expectations are now seen to be an element of all aspects of atmosphere. This is mainly due to the fact that expectations come about as a result of past actions of the parties and therefore form a crucial element of the relationship, from which all other atmosphere dimensions are formed. Also in more recent times competition has been used as an alternative to the notion of conflict. (Hallen & Sandstrom, 1991). In undertaking research in the area of atmosphere the IMP Group have added understanding and commitment, to help in assessing atmosphere in the relationship. It is the intangible nature of atmosphere that poses problems in conceptualisation and measurement. Nonetheless, consensus of opinion would seem to exist on the key dimensions of atmosphere as discussed below.

Dimensions of Relationship Atmosphere

In previous research (Spencer & Sutton-Brady 1996,1997, Sutton-Brady 1998) the notion of perception was discussed as playing an important role in atmosphere. While acknowledging that this is the case and accepting that atmosphere can no longer be viewed as a stand alone phenomena, traditional attempts in the literature to define what are the elements that make up atmosphere or basically attempt to answer the question of “What is Atmosphere” will initially be reviewed. The IMP project (1982) put forward five atmosphere dimensions, these were power/dependence, trust/opportunism closeness/distance, cooperation/conflict and expectations. The dimensions, which other researchers overtime have added to and refined provide an excellent basis for the discussion which follows:

Power/Dependence

In any business relationship the balance of power and the degree of dependence or interdependence will help shape the atmosphere of the exchange process and the relationship. Gaski (1984) puts forward many definitions of power, but in essence from these, we can define power as the ability of one party to influence the actions of the other. The perceived balance of power is what becomes important, since it is not the use/exercise of the power within the relationship but the knowledge that it exists which can change the actions of the parties. It is considered that the relative dependence between the parties in the relationship determines their relative power (Hallen, Johansson & Seyed-Mohammed, 1991) Hence the need in an analysis of atmosphere to investigate not only dependence, but the degree of mutual dependence between the parties. If party A perceives that they are dependent on party B and that party B is not dependant on them, then that would give party B a certain degree of power in the relationship. However Party B would only have that power if they hold the same perception. This is where perceptions become very important in shaping the actions of the parties and therefore the shape of the relationship. It is the case then that the relationship is shaped by the perceptions of each party relative to the power position of self and the other party. The dependence in business relationships may result from several factors, including lack of alternatives (suppliers or customers), importance of the product, availability etc.,

Whether or not power and dependency are in fact two extremes on the one continuum merits some discussion. Pfeffer and Salancik (1978) suggest that organisations respond to the demands of organisations that control critical resources. From this they may be seen as opposites on the same continuum in that “firms in a business relationship can be expected to adapt to each other to the degree that they are dependent on each other’s resources” (Hallen, Johansson & Seyed-

Mohamed, 1991). In other words if one party holds the balance of power based on control of critical resources then the other party may be dependant on that party.

Cooperation/Competition

Cooperation and competition are seen in most of the interaction literature as being opposites along the same continuum as in the power/dependency debate. One need not necessarily agree with this notion and it is something this paper will not endeavour to debate. In simple terms cooperation is the willingness by both parties to work towards common benefits or as put forward by Hallen and Sandstrom (1991) “an attitude towards work in common”, this work in common they see as “tit-for-tat” which inevitably gives benefit to both parties (at some stage). Competition on the other hand implies “a lack of will to co-operate towards joint goals” (Hallen & Sandstrom, 1991). This may also be seen as a lack of mutual interest, which may be worth some investigation. Competition is not necessarily an negative influence on the relationship, however it may cause conflict in certain cases, which be counter-productive in the development of the relationship. It is relevant therefore to look at both cooperation and lack of cooperation in assessing the atmosphere of relationship. More important though is lack of cooperation which actually causes a problem and as a result creates conflict. Perceptions again play a vital role, since what may be considered a problem by one party may not be perceived as a problem or lack of cooperation by the other party.

Trust/Oppportunism

Trust is considered to be one of the basic concepts in the social exchange framework (Blankenburg-Holm & Johanson. 1994). It is often equated as being inversely proportional to opportunism. Williamson (1992) believes trust is only warranted when the expected gain from placing oneself at risk to another is positive. Hence the assumed unidimensionality of trust and opportunism. In the literature the concept of trust has been discussed, in recent times, quite extensively. (Dwyer, Schurr & Oh 1987, Young, 1992, Morgan & Hunt 1994). Moorman Deshpade & Zaltman (1993) define trust as “a willingness to rely on the behaviour of an exchange partner in whom one has confidence”. This behaviour can manifest itself in the exchange of products/services, information, etc. Trust in a relationship is built up overtime, close and continuing relationships are seen as being vital in generating trust (Young, 1991). Certain characteristics are also considered to be necessarily present in a relationship in order to generate trust, these include predictability of behaviour in terms of repetitiveness, reliability, competence and credibility (Young, 1991). In measuring trust these characteristics are obviously important, but also helpful in assessing the degree of trust is the existence of legal agreements and the degree to which these are used within the relationship. As with the other dimensions of atmosphere discussed, the measurement of trust and its effects on the relationship characteristics and development, are mostly based on some supposed aggregate value, as opposed to potentially differing perceptions of trust the parties in the relationship may have.

Understanding

Understanding is defined by Hallen and Sandstrom (1991) as “the willingness to understand the situation and conditions of the other party”. One requirement for understanding to emerge in a relationship is that each party must have the desire to gain as much knowledge about the other as is possible. The information required concerns all aspects of doing business with the party and

may even include other parties and the demands they place on the way business is carried out. If each party has an understanding of how the other party does business, the constraints, pressures that they work under etc, then it is considered that understanding exists in the relationship. If understanding exists then minor problems and misunderstandings can be handled, with less serious consequences. It acts as a buffer; absorbing potentially harmful unexpected events to some degree.

Commitment

Commitment is very much a long-term dimension of atmosphere, which manifests itself not just in the investments adaptations the parties make to each other, but also the perceptions each has of the other's degree of commitment to the future of the relationship. Ford (1980) states that the development of the relationship is dependent on the perceptions of commitment held by each party. Commitment may be shown by investment of time or money in the relationship or it may also be just a willingness to make changes and work towards mutual goals and benefits.

It is perhaps obvious on closer examination of these dimensions that atmosphere is very much connected with the emotions (and perceptions) of the parties in the relationship. Hallen & Sandstrom (1991) also discuss the atmosphere of a business relationship as being tentatively equated with the rules governing the relationship but more specifically defined as the emotional setting in which the business takes place. This tends to lead to the belief that there is a "good" or "bad" relationship atmosphere conducive to the positive or negative development of the relationship and subsequently to the nature and quality of future exchange episodes between actors.

In virtually all cases relationship atmosphere has been discussed as though it was an outcome or independent phenomenon identifiable and measurable as such, even if in certain instances lip-service is been paid in the literature to the fact that atmosphere is derived from the perceptions of the parties in interaction. (Spencer & Sutton-Brady 1996). Likewise in few instances has the study of relationships been linked to items such as relationship performance, or value to the parties in the interaction (Sutton-Brady & Spencer, 1997). This paper outlines the research findings of earlier papers and highlights the need for a new approach to measuring/comparing atmosphere across relationships.

RESEARCH METHOD

The analysis carried out for this research utilised data gathered as part of the IMP2 Project. This project is a major study of industrial supplier, customer and intermediary relationships between and within countries. It uses a standardised questionnaire to investigate relationships between suppliers, customers and intermediaries. The database, used here, includes completed questionnaires from researchers in Sweden, France, The Netherlands and Germany. Complimentary data, (using the same mirrored research design and method) collected in Australia and the Philippines and results has also been added to the database. Intensive interviews were carried out with suppliers, customers and intermediaries. In most cases the suppliers nominated a relationship which they felt to be of importance to their business, and the respondents selected as those who had most dealings with that country. Importance was defined by the respondent, usually in value or volume terms.

The available data to be analysed is made up of 253 supplier questionnaires, 115 intermediary questionnaires and 120 customer questionnaires. A mirrored questionnaire is used for supplier, intermediaries and customers allowing a different perspective of perceptions of the same relationship to be gained. This means that the data can be analysed on a uni-, bi- and tripartite level and comparisons made across supplier/intermediary, customer/supplier, customer/intermediary & supplier/customer/ intermediary relationships. The questionnaire itself was divided in four sections, (1) details on the parties to the relationship, (2) the relationship itself (3) the relationship atmosphere, (4) Connected relationships (Network). They cover areas such as exchange processes, interactions between the supplier, intermediary and customer, development of the relationship over time, company details, relationship atmosphere and the connectedness of the relationships. For the purpose of this study the focus is initially on the atmosphere section and looks specifically at the dimensions of atmosphere.

Within the questionnaire the respondents were asked to indicate their agreement/disagreement with these statements, using a Likert scale, where 1=Strongly Disagree, 2=Partly Disagree, 3=Uncertain, 4=Partly Agree and 5=Strongly Disagree.

Dimensions Chosen

From the total bank of 60 statements in the section on relationship atmosphere, several statements were selected for use in this study. These include statements on trust/opportunism, dependency and understanding. In the analysis, the following statements taken from the questionnaires, are seen to be most representative of these dimensions of relationship atmosphere.

Trust/opportunism: (a) We feel we can trust this party completely
(b) Business is usually based on mutual trust rather than legal agreements

Power/Dependency: (a) We have a feeling of mutual dependency in our relationship with this party.

Understanding: (a) Misunderstandings between our two companies are rare.

The concept on which the preliminary study was based relates back to the notion in the literature that relationship atmosphere is a stand-alone phenomenon, ie. atmosphere is an entity in itself, with some sort of aggregate value.. However as it has been pointed out atmosphere is very much a matter of perceptions of the parties and what one party may think, does not always match the other parties perception. With this in mind, a preliminary analysis was performed of these statements across relationships with a view to testing the degree of match, partial mismatch and total mismatch of perceptions. Results have been claimed as either match, mismatch or partial mismatch of perceptions of each actor across the different dimensions of relationship atmosphere. It would be valid to assume that if atmosphere was an entity in itself then there should be total match across relationships as to the state of the atmosphere. Whether the atmosphere was considered to be “good” or “bad” thus is of secondary interest here. The results so far obtained challenge existing notions of relationship atmosphere . Table 1 below highlights some of the findings from the previous study . A summary of the findings are also included and clearly give us the indication that further research is warranted.

Table 1

<u>Supplier/Customer Relationships</u>					
		<u>European</u>		<u>Australian</u>	
1	We feel we can trust this party completely	50%	M	17%	M
		33%	PM	58%	P
					M
		17%	TM	25%	T
					M
2	Business is usually based on mutual trust rather than legal Agreements	42%	M	7%	M
		58%	PM/T	69%	P
			M		M
				24%	T
					M
3	We have a feeling of mutual dependency in our relationships with that party	14%	M	24%	M
		72%	PM	69%	P
					M
		14%	TM	7%	T
					M
4	Misunderstandings between our two companies are rare	33%	M	31%	M
		67%	PM	69%	P
					M
			TM		T
					M

M : Match. PM : Partial Match. TM : Total Mismatch

Trust/Oppportunism

“We feel we can trust this party completely “ Responses to this statement in the European Supplier/Customer subset were interesting. In 50% of relationships there was a match, however in 17% there was a complete mismatch and a further 33% partial mismatch. This highlights the fact that the perception of trust in 50% of these relationships does not match. Even more interestingly in the Australian case only 17% of relationships matched a staggering 83% did not match.

When an analysis is carried out on responses across relationships on the statement representing Mutual Trust,- “Business is usually based on mutual trust rather than legal agreements.”- the mismatch is greater. The assumption had been made that there would be a high percentage of

matches, given the nature of the statement, however our findings do not show this to be the case. In only 42% of European cases was there a match, therefore in 58% of cases there was either partial or total mismatch, in the case of the Australian data only 7% matched, leaving 93% with partial or total mismatch. It is interesting to see how so many respondents could not have matched perceptions on the issue of mutual trust. It highlights the fact that parties to the same relationship can have differing views on trust as a dimension of relationship atmosphere. In the case of the Australia/Philippines data the mismatch is significantly greater and may lead out to look at cultural differences in future research.

Dependency

“We have a feeling of mutual dependency in our relationship with this party.” With regard to this statement, only 14% of European respondents were matched, 14% were totally mismatched and a startling 72% were partially mismatched, the Australian figures here are almost identical as seen in Table 1. This findings perhaps shows most clearly how two parties to the same relationship can have a very differing perception of where the relationship stands, in terms of atmosphere.

Understanding

“Misunderstandings between our two companies are rare.” In both data sets just over 30% of respondents had matched responses on this statement, however in this particular case there was no total mismatch but a large percentage of partial mismatch. This may be due to the nature of the statement and the parties perception of what constitutes “rare”.

Need for a Construct

These findings give us an alternative way of viewing atmosphere in the interaction model. It means that each relationship may now be seen to fall into one of three categories, along each of the dimensions of relationship atmosphere. These three categories are firstly where the perception of relationship atmosphere matches and there is seen to be one relationship atmosphere. Secondly where there is partial mismatch and therefore some but not total overlap in the relationship atmosphere and finally where there is total mismatch and as such no “one” relationship atmosphere. However it is obvious that much more detailed analysis is required, especially across dimensions in each relationship, as it may be the case that perceptions differ on one dimension but match on others.

The idea therefore is to develop a construct of relationship atmosphere which can then be compared across relationships. It is hoped that this analysis will allow us to more rigorously investigate the nature of atmosphere. In unravelling this complex phenomenon it is hoped to determine whether this authors findings on the importance of perceptions are indeed true. It is also hoped that the idea of relationship atmosphere as a stand-alone entity will in fact be disproved.

Unfortunately due to time constraints in submitting this work in progress the analysis is not yet completed but should be available for presentation at the conference.

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