

Susan Freeman

Department of Marketing
Monash University, Clayton Campus
Wellington Parade, Clayton 3168 Victoria, Australia
Tel: + 61 (3) 9905 8195 and Fax: + 61 (3) 9905 9232
email: susan.freeman@buseco.monash.edu.au

Conflict management and exit strategies in buyer-relationships in foreign markets : a case study of an Australian citrus fruit exporter

***Keywords:** exit strategies, conflict management, buyer-seller relationships, culture*

Abstract

This study will examine the conflict and dissolution strategies of interorganizational buyer-relationships. Prior to the discussion on more detailed objectives, the background of the study will be presented. This background will examine the complexity of buyer-seller relationships for firms dealing with different cultures and the impact that this may have for managing conflict and tension in relationships, as well as the dissolution of relationships. A number of past (historical factors) and present (current sales and future prospects in the particular market) aspects were identified as critical in assessing the importance of relationships to a firm. Five factors emerged from discussions concerning conflict management and exit strategies in buyer-seller relationships, summarized in the conclusion.

The paper is presented in four stages. First, relationship development, management and dissolution are discussed, indicating the importance of communication strategies in this process. Second, an introduction to communication strategies available to the firm to manage buyer-seller interaction is presented, which focuses on combining Hirschman's (1975) *exit* and *voice strategy* with Baxter's (1985) and Alajoutsijarvi et al (2000) research on a typology of *dissolution communication strategies*. Third, an empirical investigation is conducted, using a case study method. Two buyer-seller relationships undergoing conflict and tension and the communication strategies used by both actors in the relationship are selected. Interviews with senior management revealed that culture

plays a large part in the management style of relationships. Fourth, confirmation of the types of communication strategies used with evidence received from the detailed case study is provided. By understanding the importance of each market and region to the overall operations of the firm, as well as the cultural norms operating in these two regions, an analysis of the conflict situation and strategies for revocable or irrevocable exit strategies can be understood. Managerial implications and directions for further research concludes this study.

Introduction

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relationships that are long-term. Fourth, confirmation of the types of communication strategies used with evidence received from the detailed case study is provided. By understanding the importance of each market and region to the overall operations of the firm, as well as the cultural norms operating in these two regions, an analysis of the conflict situation and strategies for revocable or irrevocable exit strategies can be understood. Discussion of the managerial implications and directions for further research concludes this study.

Relationship Lifecycle

The view of long-term relationships with customers and other stakeholder groups has been underdeveloped in mainstream marketing management literature (Christopher et al, 1993; Dwyer et al, 1987; Ford, 1990; Gronroos, 1994; Gummesson, 1997; Hakansson, 1982; Morgan & Hunt, 1994; Parvatiyar & Sheth, 1994). Despite the increasing knowledge of interorganizational buyer-seller relationships, little is known about how they conclude, as the emphasis has tended to focus on understanding their creation (Hakansson & Snehota, 1995). The important aspect is that effective relationship management is concerned with the management of both *growing* and *declining* relationships.

“The dissolution of some relationships can even be beneficial and desirable. Optimal resource allocation presumes the conclusion of relationships that do not provide sufficient return for the company. The resources freed from unsatisfactory relationships can then be used in creating new ones with a higher profit potential...(Alajoutsijarvi et al, 2000, p. 1271).

The interaction and use of resources by actors in networks requires management of relationships as a dynamic process from their initial inception, throughout the relationship and even in the event of decline and dismantling. The process of building, nurturing, maintaining and sometimes having to end relationships suggests that the actors need to be able to *cope with relationships*. Hakansson and Snehota (1994) suggested that “Coping with relationships, exploiting them economically, requires an awareness of their effects and insight to the interdependence that accounts for their dynamics” (p. 172). However, every relationships has costs not just benefits.

“Costs and benefits of engaging in a relationship are related to the consequences that a relationship has on the innovativeness, productivity and competence that stem from the impact it has on the activity structure, the set of resources that can be accessed, but also for the perceived goal structure of the actor” (Hakansson & Snehota, 1994).

The company will be able to develop by exploiting the potential that is offered by the dyadic function of the relationship. Its success will largely depend on its ability to perceive and handle the connectedness in the relationships in which it is directly involved in over time. In addition, a businesses relationship has different effects on the two companies actually involved in the relationship. The potential effects might be positive and negative and may also be a source of tension and conflict in a relationship, especially when the goals of the two companies differ greatly and are imposed in the interaction (Hakansson & Snehota, 1994).

Tension and Conflict in Relationships: Implications

One view of the determinants of a company’s performance is the relationship perspective. In particular three areas are of relevance: First, in many companies, relationships tend to have an overwhelming impact on their economic performance and in that situation, the management of those relationships is important. Second, ultimately, it is not possible for companies to unilaterally control and decide the development of their various relationships. However, they are part of relationships and the larger networks which both affects their outcomes as well as their potential. Thus, there is the need to be aware of these interdependencies if they are to manage relationships successfully. Finally, time as a dimension in a relationship is important as conduct in the past will have an impact on present and future development of relationships. The need for awareness of interdependence of the company and its counterparts will be critical to the outcome of joint action. This requires an additional insight, that is, awareness of the dynamics of business networks, if the company is to manage relationships effectively (Hakansson & Snehota, 1994).

The focus here is on maneuvering to find the best position for the company in the business network and awareness of how this position might affect certain economic outcomes of the company’s relationships over time. The position of the company relative

to others (its relationships) is determined by its capacity to provide value to others, such as productiveness, innovativeness and competence (Hakansson & Snehota, 1994). However, a limitation of this type of assessment is that no company is ever likely to be able to assess all the possible effects of the interdependencies in a specific situation even if the nature of the factors are identified (Hakansson & Snehota, 1994).

Dissolution of Relationships

Alajoutsijarvi et al (2000), an empirical study utilizing a case study research identified communication strategies in interorganizational buyer-seller relationships undergoing dissolution. Four company case studies were used in this analysis based in Finland. While, the research is relatively scant, the case studies focus on a very important area of business relationships and it also draws on social psychology studies on personal relationships in the development of their typology. In particular the study suggested that the management of a disengager company requires a necessary understanding of the types of strategy that can be applied in dissolution, in order to avoid negative consequences affecting both partners and the network. It is also necessary to understand how to maintain an important relationship to the company, as early signals of a potential dissolution can be recognized, so that actions can be taken to possibly save the relationship. The advantage of proper management of the dissolution of a relationship, is that where it is a joint decision, additional break-up costs and even emotional disturbance can possibly be avoided (Alajoutsijarvi et al, 2000).

Tahtinen and Halinen-Kaila (1997) developed a model to assist in the understanding of the dissolution process of relationships, and suggested that the process may be stopped or stalled if the actors are able to use *voice strategy*. If the desire is not to continue the relationship then the disengager can terminate it using an *exit strategy*. They suggest that termination of a business relationship can affect all actors directly connected (e.g. buyer-seller) as well as future actors in both companies and other companies that are related to them within the overall network. Thus, they highlight the multi stages that characterizes the dissolution of relationships as comprising intrapersonal, intracompany, dyadic, aftermath and network stages.

In summary, the focal company (disengager) either negotiates with its partner in order to restore the relationship (voice strategy) or terminates the relationship (exit strategy). Tahtinen and Halinen-Kaila (1997) refer to this stage of the dissolution process as the dyadic stage where the disengager has communicated their intention to dissolve the relationship. Prior to this stage, the potential disengager can remain in doubt about the dissolution and keep those plans silent. Once those termination plans are communicated to the other partner, there is a movement along the dissolution process to the dyadic stage (Tahtinen & Halinen-Kaila, 1997; Alajoutsijarvi et al, 2000). Just how this dyadic stage of the relationship dissolution process is handled by both parties will determine the overall cost and on-going cost to both companies (e.g. reputation; new product development end; ceasing of technology exchange; end of buyer-seller relationships). For example, if a promise of an improvement to the relationship is acquired from the partner in response to the *voice strategy* the relationship will be possibly restored. If not the dissolution process will proceed to termination. Tahtinen and Halinen-Kaila, (1997) and Alajoutsijarvi et al, (2000) argue that the *dyadic stage* is a critical turning point in the overall dissolution process, as the future of the relationship is determined at this point.

Communication Strategies and Relationship Dissolution

Alajoutsijarvi et al, (2000) suggest that at the commencement of the dyadic stage the company has to decide how to communicate to their partner its desire to terminate or exit the relationship, and that this can be done *directly* or *indirectly*. They refer to this process as the *dissolution communication strategy*.

Weick (1995) refers to the active or passive behaviour of the other partner, and suggests that as in all forms of human and organizational communication, a core issue is how that message is interpreted by the partner. If the relationship is dissolved because the restoration process is not successful, then various exit strategies can be used by the partner. Hirschman (1975) suggest that a very direct approach is when

“Some customers stop buying the firm’s products...: this is the exit option” (p.5).

However, Hakansson and Snehota (1995) also refer to business relationships that are very complicated, interconnected with activity links and resources ties and with multiple actors from both companies. In this situation an exit strategy like Hirschman (1975) has

suggested may not be an option (e.g. monopsony, where the other partner is the only purchaser in the domestic network). Baxter (1985) has identified additional types of exit strategies that the disengager may use, which focus on two dimensions, the level of *directness* and *other-orientation*. For example, the disengager does not explicitly state its desire to exit the relationship to the other partner, but to use another means. The

Figure 1: Dissolution (Exit and Voice) Communication Strategies

		Other-oriented	Self-oriented
Indirect	<i>Disguised exit</i>	<i>Pseudo-de-escalation</i>	<i>Cost escalation</i>
	<i>Silent exit</i>	<i>Fading away</i>	<i>Signally withdrawal</i>
Direct	<i>Communicated exit</i>	<i>Negotiated farewell</i>	<i>Fait accompli</i> <i>Attributional conflict</i>
	<i>Revocable exit</i>	<i>Mutual state-of-the-relationship talk</i>	<i>Diverging state-of-the-relationship talk</i>
	<i>Voice</i>	<i>Changing the relationship</i>	<i>Changing the partner</i>

Adapted from Hirschman (1975), Baxter (1985) and Alajoutsijarvi et al, (2000).

orientation might also vary from one of total desire not to hurt the other party, representing the *other-orientation*. The other end of the spectrum is where the disengager exercises expediency for itself at the cost of the other partner, possibly using no *voice* strategy only *exist* strategy and this represents the *self-orientation*.

Dimensions of the Dissolution Process

The summary of dissolution communication strategies is displayed above in Figure 1. Four different exit strategies are depicted, two are *indirect strategies* (disguised and silent exit) and two are *direct strategies* (communicated and revocable exit), as well as *voice strategy* discussed earlier. The communication style of directness through to other or self-orientation of the exit intention will vary and will be influenced by the reasons for the dissolution and other factors that characterized the relationship, e.g. interconnectedness or strength of bonds that have been built up over time. Indirect communication allows the initiator or disengager to respect the partner's *face* (Baxter, 1985) using silent exit strategies such as *hints*. Alternatively, the *pseudo-de-escalation* strategy means that the

disengager expresses a desire to *change* the relationship but not to *exit*. For example, the disengager may wish to reduce their investment in the relationship, yet still keep alive, but possibly dissolve it in the future. *Cost escalation* is where the more self-oriented disengager can try to raise the other partner's relational costs to the point where the partner starts to dissolve the relationship, such as increasing the cost of products, or making payment terms more restrictive.

For the customer who is a disengager, demands for extra service or tighter delivery schedules, are examples. Whereas in *signaling*, the disengager might use the public media or other actors in the network to communicate the exit decision (Ping & Dwyer, 1992). A *silent* exit strategy, is one where no intentional communication of the exit is undertaken, but just an understanding that the relationship has ended (fading away). This may occur when one or both partners' may decide not to discuss the dissolution in order to save the partner's face or to avoid any hurt. An example here would be the end of a project, but with no further discussion on future projects. This change of behaviour or *withdrawal* would communicate the exit in an in-direct manner. Finally, changes in openness, frequency of communication or even reduced investment initiatives are signals of decreasing interest in relationships (Tahtinen & Halinen-Kaila, 1997).

Alternatively, a *direct* communication removes doubt and is explicit, allowing no opportunity for discussion (*fait accompli*). This strategy does not allow the partner to change their behaviour to allow the continuation of the relationship. In addition, if discussion does take place it is likely to lead to disagreements about the causes of the dissolution and fault (*attributional conflict*). By contrast, a *negotiated farewell*, allows discussion without hostility, allowing each party to see the inevitable end and even benefit of the relationship dissolving. As an example of a mediating strategy, a *revocable exit*, is close to the *voice strategy*. While the disengager explicitly states its intention to dissolve the relationship, it is willing to discuss the reasons and problems related to the dissolution of the relationship (*mutual state-of-the-relationship talk*). This could lead to the repair of the relationship. The *revocable exit* is an example of the *other-orientation*, as the disengager is not only willing to discuss the matter but also to look at it from the perspective of the other partner. This could be viewed as a *state-of-the-relationship talk* but with the added threat of exit. By contrast, the *diverging state-of-the-relationship talk*,

the partner's views are so distant that the continuation of the relationship is not possible without change from both partners and to have mutual reduction in *self-orientation* (Tahtinen & Halinen-Kaila, 1997; Alajoutsijarvi et al, 2000).

Alajoutsijarvi et al's study (2000) is also important as it demonstrates that the use of different exit strategies is diverse and that the companies in their study used more than one strategy simultaneously or even at different levels, for example the person or actor or alternatively the organization. There was also evidence of companies moving from one strategy to another as a result of their counterpart's actions. Often, there were numerous individuals involved in a business relationship from both partners, and the individuals might all be using different disengagement strategies. Ford et al (1986) in their case study also suggest that these interpersonal inconsistencies seem to one of many forces driving relationships and dissolution processes.

Managing the Dissolution Process

Alajoutsijarvi et al's (2000) study falls short of providing evidence as to which specific exit strategy will provide a firm with the *most beautiful exit*, should this become necessary. However, based on their conceptual discussion and case analyses, but limited number of cases, a set of partner, dyad and network related circumstances which increase the importance of *managing* the dissolution beautifully were found. The study does highlight important implications from a management perception. They very clearly demonstrate that what is at stake when a relationship dissolves or is under threat will vary for each partner due to the context and interactions between the partners. The time element is important as relationships that were once important to a firm as it enters a market and develops a presence and reputation may not be as important as time goes on and other connections are made in that international net. These contextual elements are all essential for the firm to consider when managing the exit of a relationship.

For this reason whether the relationship is important to the firm any longer or not, the future may require that firm to re-establish an ex-relationship or form connections with other firms that are associated with this past relationship. Thus, management of *beautiful exits* could only assist present and future connections within the immediate net and

associated net in the present and the future. For these reasons it is an important management implication for the firm to manage dissolution beautifully.

The study also makes it clear that use of *pure exit strategies* is not necessary. Companies can switch between *direct* and *indirect* communication strategies as well as *self* and *other-orientations* that are mixed forms of the strategies. This flexible approach will allow companies to adapt, react and initiate *repair strategies* in circumstances where *revocable exit strategies* are in place. However, where *irrevocable exit strategies* are in place a *conscious strategy* for the partners to move to a *beautiful exit* with minimal damage to both companies can enable future relationships to be re-opened and to minimize negative impressions that may develop in the network. These impressions will have important repercussions in future dealings across markets.

In this paper, data was collected from a single firm to demonstrate the use of exit strategies that a firm might use when dealing with important buyer relationships in foreign markets, where cultural practices in the business environment vary considerably. The case study focused on an Australian exporter in the citrus fruit industry, and on two of their two main buyer relationships in two of the most important foreign markets, the US and Singapore. All names of the companies and individuals concerned have been changed to protect their identity.

Industry Structure

Against a background of turbulence and change, Midland Fruit (MF) has handled constant interactions with growers and primarily foreign buyers, as nearly 80 percent of all sales are in foreign markets. The management of interactions is critical to the business operation. MF is continually managing the expectations of growers', the quarantine requirements and quality specifications of foreign buyers', and the complexities of inspections and export handling processes. The balance has to be made at some point, as to which foreign buyers are worth continuing with and which ones are not. This issue brings into focus the importance of managing relationships well for the profit side of the business. However, it also brings into focus the criteria for deciding which relationships with foreign buyers are worth continuing with and which ones are not.

Case Study – Midland Fruit (MF) : Company Background

Midland Fruit (MF) is the trading name of the MF Trust, the corporate Trustee of MFT Pty. Ltd. MF is a fully owned subsidiary of Midland Fruit Cooperative Pty.Ltd. MF merged with South Garden (SG) in 1997, which provided expertise and experience for MF in the citrus market for export development. MF employees approximately 35 fulltime managerial staff and 100 semi-permanent staff (for 10 months of the year) in their packing division. During 2000 MF packed 1.8 million cases, and 80 percent were exported. SG had been exporting citrus fruit since 1988. MF began citrus fruit exporting after the merger took place with SG in 1997. The current managing director of MF was previously the managing director with SG prior to the merger. He has experience across the wine and citrus industries with rich *person-centered networks* (Hallen, 1992) with all level of the industry and government in Australia and overseas His person-centered networks link are extensive, linking buyers and packaging companies in all their main markets. He uses these connections continually for foreign market entry (FME) and for improving the selection of buyers that they have in existing markets as well as potential markets. They derive 80 percent of their sales from their overseas markets and the most important markets, based on sales are the US, New Zealand, Singapore, HK and Malaysia. There is a heavy commitment to their overseas buyers as the domestic market is saturated and highly competitive.

The parent company is a cooperative, the Midland Fruit Cooperative (MF Coop). MF Coop has a 100-year history in the district of North Victoria and first established in the district as a dried fruit packer in sultanas and raisins. Now, there main core business is citrus sorting, packing and exporting, which was started around 60 years ago. Up until recently, MF was also associated with merchandising stores for citrus growers.

Development of the table grape exporting market is now taking place too. This side of the business has been growing for a number of associated and complex reasons.

Citrus packaging and exporting brings MF into contact with its growers (all domestic) for approximately 5 months of the year in a very intensive sense with several visits by the marketing manager, growers' service manger and quality control managers over this period. Most of their growers produce grapes as well as citrus fruit. The decision was made about 18 months ago to offer purely exporting and marketing arrangements with

their existing growers to not only export their citrus fruit but also their grapes. MF only packs grapes for their existing citrus growers (sellers). It also provides marketing and exporting of grapes to existing clients or buyers in overseas markets. This is not a profitable business for MF but it does offer a reason to be in contact with their growers in the *Mildura-Sunraysia* region for up to 10 months of the year. Otherwise, contact with existing citrus growers would remain at only 5 months of the year. While the citrus grower relationships are intensive, 7 months without frequent contact is undesirable for managing long-term, committed buyer-seller relationships. All growers are domestic and within the Mildura-Sunraysia region.

Grower Relationships

This is a crucial element to the success of MF. They are the largest citrus fruit exporting operation in Australia and regarded by most growers as the best to work with as MF works very hard at building strong connection and bonds with its growers. This results in strong connection with the growers and the best growers selling their fruit to MF. This is critical to the operations for MF as they do not personally own any citrus fruit. All their suppliers are domestic growers in the region, which extends to South Australia, Victoria and New South Wales. Growers are increasingly responsive to spot prices by other packaging and export *sheds* in Australia. Thus, growers will *switch* easily to another *shed* if the price they can obtain for their fruit is higher than what MF is able to offer. To prevent this type of instability in the industry, MF has initiated the first grower contracts to their best and most preferred growers. This represents about 160 of their growers, which is approximately half of their growers.

This ensures that their preferred growers have reasonably secure incomes of agreed levels of supply and in turn MF can insist on quality control and quarantine regulations being carried out in the growing process for these preferred 160 growers. This is necessary for the most lucrative markets, NZ and US. These two markets take grade one citrus fruit, being the navel variety. The US market is their most important market based on sales and fruit prices. All citrus fruit exports to the US are controlled by the *Silversun project*. The *Silversun project* is an Australia initiative involving all exporters of citrus fruit to the US. *Silversun* coordinates the export 1.6 million cartons, from Australia annually, of citrus

fruit to the US in recent years. Approximately 20 percent of the *Silversun project* export market is supplied by MF and the US market is worth over a third of MF's total annual sales. In 2000, MF exported 315,000 cartons to the US. Class one fruit, attracting the highest prices is exported to both the US and NZ markets, by MF, with complex quarantine requirements, which act as a barrier to entry to other exporters to these lucrative, high quality markets.

In addition, class two variety of citrus fruit is also exported to other markets, free of quarantine requirements. However, markets that are free of quarantine requirements for fruit fly and snails other than certificates of inspection, are not rigorous to comply with. These other markets do not attract the same price for the citrus fruit and they will take the fruit that MF cannot sell to the higher paying markets of the US and NZ. These other export markets include Singapore, HK and Malaysia. Excellent contacts for export sales exist in these South East Asian markets but the culture demands constant visits and the managing director, marketing manager and export operations manager all report the need to really work hard at relationships in this region. The cultural differences make these markets difficult to deal with but for different reasons as compared to the US, NZ and Japanese markets.

However, Japan has the added burden of not only having very high quarantine requirements and quality specifications but also the difficulty of managing culturally different and complex relationships. This difference requires the additional cost of frequent visits and exchanges on the phone and email. The managing director would have daily conversations with all foreign customers when shipments are in progress. This is likely to be even more so with the export operations manager and the marketing manager. The marketing manager and export operations manager were involved in four visits to all Asian customers in 2000, both large and small. The managing director was involved in twice that number. That did not include the similar number of visits that their customers made to the MF shed in Mildura during the year, which was a similar number of visits. The level of visits for the US and NZ markets is only slightly less. This level of contact with foreign customers is expected for effective management of existing relationships and MF is considered to be an industry leader in Australia for managing the quality of its overseas buyer relationships.

Buyer Relationships

To understand the difficulty in managing buyer-relationships, especially when complaints occur, which is frequent, the overall importance of the market and the importance of the particular buyer is needed. The US and NZ markets are the most important markets for MF in term of sales. The US market represents 20 of all sales and nearly 75 to 80 percent of MF's annual sales are to foreign markets. The domestic market is no longer lucrative for MF. In the last 10 years, over supply, intense local competition with other packing and export sheds, and the price sensitiveness of growers, has meant that MF will only sell to the Australian market what it cannot sell overseas. The main focus for MF is to secure the highest price possible for their growers. All growers are domestic and they are very price-sensitive. To differentiate their offer, MF has tried to build strong links with its growers with education meetings on crop handling, requirements of the foreign markets in quality, size and colour of citrus fruit and now, grower contracts. This appears to be working as MF do have an excellent and secure supply of high quality fruit.

Japan is also considered a very difficult market because of the complex quarantine specifications but it is not as important to MF because of the lower volume of sales that is conducted in that market. The secondary markets of importance on volume are Singapore, HK and Malaysia. HK is especially important as 80 percent of the sales to HK are sent straight into China by the HK operation. Entry into the Chinese market is still closed, so this market is very important as it allows MF to export a large and consistent volume and in addition, to off load the class two fruit that is not acceptable to the more lucrative US and NZ markets.

Moreover, the multiple buyer markets offer MF the ability to market table grapes to their foreign buyers without too much effort. The main problem with this market however, is the tougher quarantine requirement for grapes in the US and NZ markets than for citrus fruits. For this reason, grapes are only exported to the SEA market, were quarantine requirements are not as stringent, i.e. Singapore, HK and Malaysia.

Data Collection

Multiple in-depth interview with the CEO, marketing manager, Export Operations Manager, Growers' Services Manager and Export Documentation Manager provided an

holistic understanding of the process of managing effective relationships and for developing strategies for handling conflict. In all, 12 in-depth interviews were conducted with management, and at the company site each interview was approximately 2 hours. Interviews were conducted during March 2001. The type of strategies that were used, in particular, by the Export Operations Manager gave insight into the tactics and approaches that are used for managing effective relationships that are long lasting. The nature of disputes which constantly arise in MF's business operations require constant monitoring. Set in its context, their multiple foreign buyer relationships must be effectively handled long term as MF is dependent on its foreign markets. MF is also dependent on the overseas markets for the higher prices it can attract for its independent growers. Without maintaining effective relationships with its foreign buyers, MF would not be able to attract loyal and long-term growers who are dependent on the higher foreign prices for their fruit. Without the higher prices the temptation of growers to *switch* to another *shed*, to sell their fruit in Australia, would be very high. However, different tactics are used in the US and NZ markets than in the Asian markets when dealing with conflict.

The strategies used for dealing with relationships that were in conflict varied from direct to indirect methods. However, the type of strategies employed and the desirability of saving business relationships varied. It became apparent with interviews conducted across the company and especially with the Exports Operation Manager, that the importance of buyer-relationships to their firm should not be separated from their environment.

To provide empirical evidence of the complexity of managing foreign buyer relationships in a turbulent price sensitive market, with uncertain supply, two of the most important buyers were selected for analysis. The two buyers had long relationships with MF, both having lasted for about 6 years. A number of incidences had lead to tension and conflict situations with both buyers, which will be analyzed in this paper. The two buyers were selected on the basis of their importance to the firm, the market and the region. The two buyer relationships also represented regional differences, and were located in two of the most important markets. The first buyer relationship was with firm A in Singapore and the second was firm B in the US.

Firm A – Kingsome : Singapore Buyer Relationship

The Singapore buyer was a relationship that had existed for approximately 6 years. Singapore was the second foreign market in SEA region that MF entered. It was around 1989. Their first foreign market was Japan in 1988. Singapore was and still is an important market in terms of sales and the most important market, following the US. HK and Malaysia are the next two important markets based on sales. Kingsome, a wholesaler, was managed by Phillip. The managing director met him at an Australian trade fair in 1989. Phillip acted as a wholesaler in Singapore, supplying customers first in Singapore and then later into Malaysia, all based on personal contacts. Originally he bought Valencia oranges and then in 1991 began buying navel oranges, but only grade two. By 1995 the relationship was causing problems for the managing director as he had wanted to use Phillip's contacts to enter the more lucrative market of HK. Phillip kept promising to establish an opening there but nothing ever came of it. Finally, in 1995, the managing director used his own contact in Malaysia with existing buyers to enter the HK market for navel oranges. In addition, over the 6 years of the relationship, the structure in the industry was changing in Singapore. Customers in Singapore were increasingly wanting to deal directly with MF and not through Kingsome. This was making it difficult for Phillip to manage and he was anxious to maintain a wholesaling arrangement with MF and Singaporean customers to provide his profit of 50 cents on each carton. However, over the six years this relationship began to have less importance for MF. They were now dealing directly with their three main customers in Singapore and then later all their main customers in Malaysia. This was putting continual pressure on the relationship with Phillip and MF were indirectly communicating a no interest (fading away strategy) in continuing their relationship with him. As far as MF were concerned the relationship with Kingsome now offered no value and was obsolete. However, because of the old association, MF were prepared to acknowledge that a relationship still existed (disguised exit strategy).

Against this complex backdrop of events, Phillip became increasingly more frustrated and his behaviour (voice strategy) indicated a desire to continue the relationship (changing the relationship strategy). His *noise communication strategy* was not being responded to by MF. In the last two years, Phillip had become increasingly difficult to manage. The

history had always been difficult. Phillip had always complained of the quality of the delivery of navel oranges from MF. It was standard for Phillip, even in the first year of the relationship to complain that the quality was not consistent and that about 10 percent of the fruit was spoiled. It was customary for MF to offer a 10 to 15 percent discount on each delivery, to rectify the situation. This way Phillip managed to extract lower prices from MF and in the early days of the relationship, MF were prepared to tolerate this as Phillip was the connection for Singapore, Malaysia and the promise of HK.

The export operations manager, Don, was the primary person dealing with Phillip when the complaint came through on a large shipment of navel oranges in June 2000. At this stage, Don had only been with the company just under a year. He had 13 years experience with the Australian Quarantine Inspection Service (AQIS), several years experience with the Department of Agriculture, several years experience with the citrus industry as an export marketing manager and had excellent person-centered networks locally and internationally in all levels of the industry. By nature he was a calm and even-tempered man in his mid 40's, not taken to any outbursts or panic and was well used to dealing with Asian buyers.

He had been dealing with Phillip since joining the company 18 months ago and relations were good but Don had only visited Phillip twice as part of the overseas visits and not as a result of previous complaints. Don was aware that Phillip was finding it difficult to manage his role as a distributor for MF and Don's personal view was that Phillip no longer served a role that was useful for MF (changing the relationship strategy). Against this context, the complaint that came through in June 2000 concerned a particularly big shipment. Phillip rang on the afternoon that it arrived to say that 80 percent of the delivery was spoiled with black dots all over the fruit. Don was frustrated with this complaint as he had personally inspected and signed off the fruit 24 hours earlier and knew the complaint was false. Phillip was refusing to pay for 80 percent of the consignment and Don demanded an inspection certificate from the Singaporean import inspectors before he would accept Phillip's claim. This had not been asked for in the past. This was a direct confrontation. Phillip was adamant that he would not pay and that the inspection would only prove him right. He was demanding that either Don pay for the

return of the citrus fruit or accept a lower price of 20 percent of the original consignment. Phillip refused to move from this position.

That afternoon Don flew to Singapore without informing Phillip. The next morning he arrived before Phillip at the warehouse of Kingsome, just in time for the Singaporean Import Inspection. Merely 2 to 3 percent of the consignment from MF was affected and not fit for sale due to black spots on the fruit. The loss of face experienced by Phillip was overwhelming. The visit by Don (communicated exit strategy) as a result of Phillip's complaint had not been expected. It was an admission by Don that he felt Phillip was being deceitful. At that stage, Don had flown across to protect the reputation of MF. In his mind the relationship with Kingsome had been *fading* and he had terminated the relationship over the phone with Phillip the afternoon of the complaint. Phillip's unreasonable complaint, from Don's perspective had resulted in an *irrevocable exit strategy* from Don. A visit by Don to Phillip during the Singaporean Import Inspection was a *direct exit strategy*, signaling that the relationship was over. Don became the disengager and left Phillip no further option to revoke the exit strategy. Phillip, subsequently, never placed another order with MF.

A year later, no customers were lost in the Singaporean market as MF had been dealing directly with the buyers for three years. No buyers were terminated in the Malaysian market. Don had deliberately used a style of confrontation that was direct, by refusing to accept Phillip's word of the impaired quality of the shipment. The *irrevocable exit strategy* was put in place when Don simply leapt on a flight and met the import inspector at Kingsome without informing Phillip of his journey. It left no opportunity for Phillip to save face, an important element in all previous dealings with him and essential for dealings in the Asian market.

Don had adopted this approach as a result of a series of interactions that were signaling to both parties that the relationship was moving towards exit. Phillip's behaviour had been designed to signal a need to change the relationship and to confirm that the relationship between Kingsome and MF was still an important one and that Phillip could still achieve discounts on shipments (cost escalation) from MF. He was slowly experiencing decreasing profits in the home market and Don was aware of this and also aware that as MF were now dealing directly with their buyers that Phillip served no useful role. For this

reason the relationship needed to be terminated and exited from the perspective self-oriented) of MF. *Direct exit* and *irrevocable exit strategies* were used to save the reputation of MF. They were self-oriented, an unusual approach for an Asian market but the relationship was already heading for exit and this last complaint situation was a symptom of that fading relationship. Don's considerable experience in handling citrus fruit in export markets, knowledge of inspection requirements, contacts in the industry and quiet confidence in his ability to deal with buyer complaints in the South East Asian market enabled him to protect the reputation of MF. However, it also meant the use of *direct* and *self-orientated exit strategies* by Don, which left Phillip no face or ground for a *revocable exit strategy*. MF used a quick, direct, *self-oriented exit strategy*, designed to offer no option for revocation. Phillip's complaint had been signaling major dissatisfaction and desire for change in the relationship. It was not an exit strategy. MF could afford to exist without Kingsome, and took on the role of disengager in the final complaint from Phillip. The cost outweighed the benefits of the relationship.

Firm B : US Buyer Relationships

World Fruit Sales (WFS), Florida, USA are MF's main buyer in their main foreign market. This relationship has existed for about 6 years. The firm and industry discussion in the earlier section highlighted the importance of this market as part of MF's overall operations and their role in *Silversun*. *Silversun* manages all citrus market exports from Australia to the US. The specifications for quality and quarantine requirements are at their highest in this market. MF has an annual three month supply contract with WFS, representing about 30 percent of their annual sales and 20 percent of *Silversun's* contract. Any problems with this relationship could not only directly affect sales to MF but potentially affect the viability of future dealings with *Silversun* in the US market. In July 2000, a telephone complaint came through to Don, the Export Operations Manager at MF, that the last shipment to WFS contained fruit fly. WFS's Export Operations manager, Wes, claimed that 6 out of the 32 bins of navel oranges that had arrived were affected and they wanted time to check the fly with their quarantine inspectors. Meanwhile, they wanted a freeze on all citrus fruit exports out of Australia, a quarantine inspection done on the region, all of MF's growers to be sprayed and fly traps

installed under the direction of the Department of Research and Natural Environment (DRNE). By agreeing to these directives from WFS, Don would have agreed to not only the ceasing of all citrus exports from MF to the US market for the season, but also every other citrus export from the Australian market to the US. This would have meant an end possibly to any further orders from the US. It would affect the reputation of MF in the US as well as other foreign markets, once they learned of the outbreak. Don was obliged to contact the DRNE immediately on learning of the fruitfly situation and they were now wanting to 'storm troop and go out and put chemicals everywhere' (Don, March, 2001). Don was anxious to manage the relationships with his domestic growers as well as the most important foreign customer, WFS. Don was able to trace back within an hour of learning of the incident, the two growers out of the 17 that had been involved in the shipment, that were likely to be the source of the problem. MF's packing system was entirely computerized and all deliveries were sorted according to the grower, the farm, the date and time of packing. The shipment takes 5 weeks to arrive in the US. Don was concerned that the press did not learn of the issue, as this would have destroyed any chance of salvaging their relationship and the future of all Australian shipments of citrus fruit for that season.

Don insisted that Wes provide the ID from the US import inspectors before he would quarantine the Australian industry. The US refused to provide the pallet number of the affected fruit, the growers' names, and the time codes. All the boxes were clearly identifies by grower and time codes. Don's considerable experience in AQIS and the Department of Agriculture enabled him to use those contacts to stall a quarantine and ban on all Australian exports during the 7-day period. He also used a very confrontational style approach with the US buyer. WFS were refusing to provide the information that Don needed to contain the problem, i.e. the carton numbers. Don was not sure why. The result was that WFS sent the fly away for DNA testing. Don refused to allow DRNE to act and this was only as a result of his considerable contacts in the organization. The results came back at the end of the 7 days. It was a sterile, Mediterranean fly. It had not been reported in Australia since 1938. Finally it became apparent that the fly was from the US. By adopting a very direct, confrontational approach with the US buyer, he was able to use a proactive strategy for dealing with the conflict, protect his domestic

growers' reputations and avoid panic in the Australian citrus fruit export industry for the season. The US buyer did not lose face as even though they admitted that it was their mistake and they had delayed providing the details of the 6 affected boxes, directness and confrontation is expected. Loss of face is not experienced under these circumstances for either culture. Don's relationship with DRNE and AQIS provided the possibility of stalling for time in Australia while the tests were being carried out by the US quarantine authority. Don was able to convince DRNE and AQIS that either WFS had lost the samples, or not providing MF with the box numbers because they were hiding their own management problems of tracking and monitoring.

The situation was cleared, payment followed and further shipments followed during the 2000 season. WFS was not signaling an end to the relationship or that they were unhappy with the relationship with MF (mutual state-of-the-relationship talk strategy). Their own mishandling of the situation could have created an end to MF's involvement in the *Silversun* program and even the discontinuation of the program in the future. While the situation was potentially very harmful for MF (fait accompli strategy), relations with WFS since then have been good and a visit by marketing manager to WFS, followed the incident (voice strategy). The situation required a direct and confrontational style by MF for management of the incident and the reputation of MF.

Conclusion

A number of past (historical factors) and present (current sales and future prospects in the particular market) aspects were identified as critical in assessing the importance of buyer-seller relationships to a firm. *Five factors* came out of discussions concerning conflict management and exit strategies in buyer relationships in foreign markets. *First*, the history of the relationship with the foreign buyer. *Second*, the business culture operating in the foreign buyer's market. *Third*, the importance of the buyer relationship to the organization. *Fourth*, the dynamics of the market environment operating in the foreign buyer's market and *finally*, the future options for the firm.

Interviews with the managing director and export operations manager, in particular, revealed that *culture does play a large part in the management style of relationships*. The added complexity are the stringent quarantine and inspection arrangements and the high

quality specifications in the NZ and US markets which do not exist in the main Asian markets of Singapore, HK and Malaysian. However, the stringent quarantine requirements and to a lesser extent quantity specification do exist in other Asian markets that MF deal in including Japan, Indonesia, Taiwan, Thailand and Sri Lanka. However, Japan, is still considered a high quality end of the market. Thus, the cultural and legal environments do place formidable barriers to foreign market entry (FME) and management of effective buyer relationships that are long-term.

By understanding the importance of each market and region to the overall operations of the firm, as well as the cultural norms operating in these two regions, an analysis of the conflict situation and strategies for *revocable* or *irrevocable exit strategies* can be understood. The findings in this case study, while based on theoretical considerations are limited by the limited empirical evidence. It is recommended that more research be devoted to the issues surrounding the management of conflict and dissolution in buyer relationships, with particular emphasis on the strategies that should be used for different cultures. In addition, focus of further research on the after effects of poorly managed conflicts and exit strategies on future buyer relationships in foreign markets, would highlight the importance of networks and the interconnections that exist across foreign production nets.

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