

Network Effects Following Multiple Relationship Dissolution

Debbie Harrison,
Department of Logistics, Handelshøyskolen BI,
Elias Smiths vei 15, Postboks 580,
1302 Sandvika, Norway ¹

Abstract

Current knowledge of business to business relationship dissolution centres upon definitions of relationship dissolution, models of the dissolution process, antecedents for dissolution, and dissolution strategies. In this paper an empirical case example of the network effects of multiple, simultaneous business relationship dissolution is presented. The key idea is to explain the multiple net effects for the disengaged suppliers, retained suppliers, and the customer. The mid-range change event that precipitated this outcome was the planned change by Marks and Spencer of their supplier network structure. The relationships between the customer and their respective suppliers was long-term, exclusive, and involved heavy investment in plant, machinery, and human assets. The contribution of the paper is to move beyond dyadic and triadic studies of relationship dissolution in assessing wider network effects using an empirical case example.

¹ Telefon 00 47 67 55 70 00, E-mail: debbie.harrison@bi.no

1.0/ Introduction

Several authors have stressed the importance of learning about how relationships end (Gadde and Mattsson, 1987; Hakansson and Snehota, 1995). There is, however, a paucity of studies concerned with the 'end' stage in studies of business relationships, and in fact, marketing exchange relationships (Tahtinen and Halinen-Kaila, 1997). Some exceptions are, for example, Tahtinen and Halinen-Kaila (2000); Havila (1996); Tahtinen (1998); Ping and Dwyer (1992); Buchanan and Michell (1991)).

Current knowledge of business to business relationship dissolution centres upon definitions of relationship dissolution, models of dissolution, antecedents for dissolution, and dissolution strategies. This paper takes as the point of departure an empirical case example of multiple terminated business relationships, and assesses the impact upon the network in the aftermath stage of the dissolution process. The case uses an example of Marks and Spencer (M&S), the UK's largest retailer, switching some of their UK supply base overseas in 1999. The outcome of the planned change in the supply base was to have several dissolved relationships with non-retained suppliers, and changed relationships with continuing suppliers.

There are two key questions for the paper to address. The first is to assess how a customer alters their supply network by dissolving several supplier relationships. The second question involves a discussion of the network effects of multiple, simultaneous relationship dissolution. The contribution of the paper is to move beyond dyadic and triadic studies of relationship dissolution to assess some wider network effects.

The next part of the paper provides an outline of the network change and relationship dissolution literatures. Section three presents the Marks and Spencer clothing net. An analysis section first explains the process of dissolution as the customer organisation alters their supply base and then the network effects in the aftermath stage of the process. Lastly, suggestions for future research are made.

2.0/ Literature review

Change processes in networks can be of three general types; company internal factors, interaction in the relationship, and third party or external developments (Hakansson and Snehota (1995)). Hakansson and Snehota suggest that "while exogenous events and entrepreneurial action can cause change in relationships and thus in business networks, the major source of change is the interaction within relationships"(p271). There is a paucity of empirical work focused upon network dynamics in the context of

'mid range' change events involving interaction in relationships. In other words, the middle ground between exogenous change on the one hand, to continuous, day-to-day changes on the other.

The paper discusses the impact of a mid range event: a large customer making a planned change within their supplier portfolio by reducing the number of relationships. One outcome of the mid-range change was the dissolution of multiple supplier relationships. Research in the area of business relationship dissolution discusses a process by which actors end relationships. This is discussed in section 2.1 below, and relates to the first question of the paper: how does a customer alter their supply network by dissolving several supplier relationships?

The second question involves a discussion of the network effects of multiple, simultaneous relationship dissolution. That is, to take the 'aftermath' stage of the relationship dissolution process as the point of departure, and to trace the impact for both retained and disengaged supplier relationships. Taking a network change perspective facilitates moving from dyadic and triadic analyses to assessing the network effects of relationship dissolution.

2.1/ Relationship Dissolution

Research on the ending of relationships has been conducted in the areas of business to business relationships (IA and IMP), consumer relationships, channel relationships, and endings of client-agency relationships in the advertising industry (Tahtinen and Halinen-Kaila (2000)). Most studies are concerned with vertical relations among actors, though Laine and Ahman (2000) consider the reasons for the dissolution of a joint venture. Of course, the dissolution of a relationship need not necessarily be negative (Alajoutsijarvi, Moller and Tahtinen (2000)).

A wide variety of terms are used to discuss the ending of relationships; switching, exit, dissolution, termination, disengagement, break-up, divorce and failure (Tahtinen and Halinen-Kaila (2000)). However, there are few definitions of a dissolved relationship. Some exceptions are those of Duck (1982) with "...the permanent dismembership of an existing relationship", and Tahtinen and Halinen-Kaila (1997:560) who state that "...a relationship is dissolved when all activity links are broken and no resource ties or actor bonds exist between the companies". Other authors argue that actor bonds remain in some sense even after the relationship is terminated. In other words, although resource ties and activity links might be

dissolved personal friendships, or / and links within the industry concerned remain between individuals (Wendelin (2000); Lofmarck-Vaghult (2000); Staakes (2000); Havila (1996); Havila and Wilkinson (1997)).

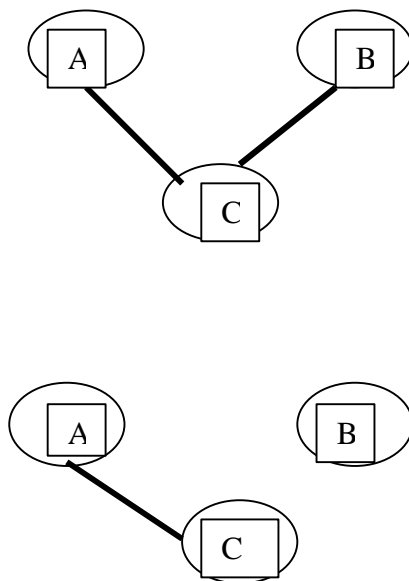
A dynamic perspective considers relationship dissolution as a process with various interconnected stages. Tahtinen and Halinen-Kaila (1997) proposed a model of the process of business net dissolution based on the work of Duck (1982) and Ping and Dwyer (1992). Tahtinen (1998) discussed a case study of dyadic relationship dissolution. The six-stage model incorporates different actor 'stages', from intra-company to network levels.

Broadly, the initial stage requires an *intra-personal* assessment of a relationship. Managers responsible for a relationship become dissatisfied with the performance of their business partner. A discussion regarding the possibility for terminating the relationship takes place at the *intra-company* level. Switching costs are considered, and the process is then dependent upon whether a voice or exit strategy is adopted. If a voice strategy is adopted, there may be possibilities for repairing the relationship in appropriate ways. An exit strategy results in the process moving to the *dyadic* stage. "The decision to exit is directly or indirectly communicated to the partner in the *dyadic stage* (Tahtinen and Halinen-Kaila (1997:573, italics in original). Again, there are two potential strategies at this stage – exit and voice – with a possibility for the relationship to be repaired. The fourth stage of the process is the *triadic* stage, whereby the third actor becomes involved in the dissolution. There are still opportunities to restore the relationship at this stage. If not, the parties have to communicate the break-up to the wider *network*. "The dissolution itself changes the structure of the network and the position of ex-members within it...ex-members need to establish and reinforce other relationships in the network" (ibid, p575). For a relationship to be terminated the parties move to the *aftermath* stage of the process where post-hoc rationalisation can take place.

Of course, it is difficult to delineate an interconnected process into discernible and separate stages. The model is not deterministic, and instead any given dissolution process might not follow the stages in the order suggested, use all the stages, use stages simultaneously, or return to previous stages. Indeed, the whole process might well be interrupted because of successful recovery strategies (Tahtinen and Halinen-Kaila (1997); Tahtinen (1998); Laine and Ahman (2000)).

Tahtinen and Halinen-Kaila (1997) discuss the dissolution process of business triads. The authors state that there are three structural outcome possibilities following the dissolution of a business triad/net. The dissolution of the triad might involve actors moving from one of the outcome states to another over time. In other words, the three outcomes are interconnected.

Figure 1: Outcomes following the dissolution of a business triad



In the first outcome type, the dyadic relationships A-C and C-B remain, but A-B has been dissolved (see figure one above). Each of the actors has relationships to other actors in the network (not shown). In the second outcome possibility, only dyadic relationship A-C remains. Again, each actor has relationships to other actors in the network. In the third structural outcome, none of the dyadic relationships remain (not shown). The effect on the wider network is not discounted in this three-outcome model: “In all these cases, the larger network in which the triad is embedded may also change as a result of the changes in the triad” (Tahtinen and Halinen-Kaila (1997:563)).

A static view takes a focus upon dissolution as an outcome, or the antecedents triggering dissolution. Relationship dissolution becomes an event. Serapio and Cascio (1996) described types of business divorce using dichotomies such as ‘planned-unplanned’ and ‘friendly-unfriendly’. Harrison (2000) presented a case of a

very messy, ugly business divorce in litigation in the aftermath stage of the dissolution process.

The types of 'death' of a triad, based on actor and network features, can be predetermined, decided, forced, and natural (Tahtinen and Halinen-Kaila (1997)). One actor alone can terminate a relationship (Duck (1982)). Yet the extent of the outcome can vary; relationship dissolution need not be final. Instead, dissolution patterns can be complete or partial, temporary or permanent (Harbo (2000); Pressey (2000); Lofmarck-Vaghult (2000)).

Antecedents or reasons why relationships dissolve are suggested to be combinations of factors such as changes in the environment, such as exchange rates, (Wendelin (2000)), and company, such as culture (Laine and Ahman (2000)). The likelihood of dissolution as a result of changes can be mediated by actor, dyad, or network factors (Tahtinen and Halinen-Kaila (1997); Tahtinen (1998); Wendelin (2000)). According to Tahtinen and Halinen-Kaila (1997) predisposing factors and precipitating events are the two sets of reasons that result in relationship dissolution. Predisposing factors are features that are inherent to a dyad that make a relationship more or less likely to dissolve at some later stage. In the other hand, precipitating events are change carrying, from the actor, dyad, or network. However, "it is essential to acknowledge that it is not the event *per se* that causes the termination, but the responses of partners to these events that then lead towards dissolution" (Tahtinen and Halinen-Kaila (1997:562)).

What would the literature expect in terms of the process of a major customer altering their supply network by dissolving several supplier relationships? Can the Marks and Spencer case be mapped on to the six-stage model of intra-company, inter-company, dyadic, triadic, network and aftermath? Are the stages different because the company was dissolving multiple supplier relationships simultaneously?

The second question for the paper involves a discussion of the network effects of multiple, simultaneous relationship dissolution. That is, to take the 'aftermath' stage of the relationship dissolution process, and to trace the impact for both retained and disengaged supplier relationships, and the customer. It is clear from current research that dissolution of dyads and / or triads is expected to change the structure of the network. Several structural outcomes are possible from triadic dissolution, based on variations in the number of dyadic relationships ending, with each actor assumed to have relationships with other actors in the wider network. The disengaged suppliers

in the case under discussion would be expected to create and build new and existing relationships. For a broader view of the possible network effects of relationship dissolution, some of the network change /dynamics literature is briefly reviewed below.

2.2/ Network Change

Lundgren (1992) discusses two processes in describing how *new networks* are created. Processes of continuous change are based upon current network features. These incremental processes involve changes within the actor and / or episodes of interaction between actors in relationships. Discontinuous change processes involve the breaking up of current activities. Such change can be disruptive and potentially transformational across the network. Some researchers have provided micro, empirical analysis of the dynamics of discontinuous or radical change within industrial networks, using change events from both within (e.g. Halinen, Salmi and Havila (1999)) and external (e.g. Sweet (2000)) to a network.

Hertz (1996) formed a four-part matrix of the extent of change *across nets* over time in her longitudinal study of the freight forwarding industry. This work has similarities to Lundgren in terms of discussing the impact of incremental and radical change. Within the framework, there are four interrelated possibilities of the type and extent of change between nets. Changes within nets can be analysed using these ideas also. “The basic changes seem to concern either changing the size of the net or the co-operation between and within the relationships of the network”(p198).

‘Gradual’ change incorporates the “drifting closer or further away” (p186) in terms of co-operation in direct relationships between actors in different nets. Radical change takes place when a structural transformation in the extent of co-operation or integration between nets occurs. In other words, the breaking or forming of multiple direct relationships across nets, or splitting a net and the joining of nets respectively would be examples of radical change. According to Hertz’s study, “...drifting is the most common of changes taking place between nets at the network level” (p203).

Andersson and Molleryd (1997) found differing extents of drifting closer and away as a result of technological convergence in their longitudinal study of the Swedish Mobile telephony network. Changes in technology influenced the nature of the actor structure. For example, the authors found that new actors entered the network configuration while others lost position within the network. One key trend was that

the number of relationships reduced over time, yet those that remained became more integrated.

Easton and Lundgren (1992) presented a model concerned with the size (amplification V. reduction) and character (concentration V. dispersion) of actors' *responses to inter-relationship* change. In this model a network of actors each have different nodal positions vis-a-vis a change instigated by the initiating actor, and can adopt one of five change options or sequences. This network orientation is likely to influence the extent of the impact of a change within an organisation.

Transmission of the impact of the change to the network is considered to be the 'modal' option by the authors. This is because an actor is considered to want to "...minimise the impact of the change upon itself" (ibid. p93). Transformation of a change occurs when a nodal actor is able and willing to alter its exchange activities vis-a-vis that change. In the reflection change sequence, one actor refuses to accept a change that has been initiated by another actor. Instead, the change is mirrored back to the 'initiating' actor. The fourth nodal orientation, adaptation, a change is contained within a dyadic relationship with the two actors operating together. There is little impact upon the wider network of which the dyad is a part. Finally, absorption occurs when a nodal actor does not attempt to somehow route the change to the network. Instead, the actor itself absorbs the impact of a change.

What would the literature expect in terms of the network effects of multiple, simultaneous relationship dissolution? When current activities across several relationships are broken up, the literature would expect some disruptive effects. Radical change might involve the breaking of direct relationships within the net, and the forming of new relationships with actors in other nets. In splitting the M&S textiles net, how did the impact vary for each supplier?

In the case in question M&S imposed a change that could not be ignored or reflected back. The suppliers had little choice of flexibility in the nature and timing of their responses. The issue then becomes how each supplier actor within the net handles the impact of the change. Do the network effects of the customer's actions include bankruptcy or a deepening of an existing relationship with a supplier? Alternatively, are the emergent properties of networks illustrated as disengaged suppliers form new customer nets or as another customer relationship assumes greater importance? In terms of Easton and Lundgren's terminology, to what extent does each supplier pass on the change to other actors? Is the change contained internally, or is the actor

dependent upon existing or new relationships to handle the change event (Mattsson (1987))?

3.0/ Case Study: Marks and Spencer textiles supplier net

3.1/ Background

M&S is the UK's largest clothing retailer. In the past two years profits have more than halved, from £1.16bn in 1998, £545m in 1999, to £450 in 2000². The recent weak performance has been blamed on a multitude of factors; poor trading in overseas operations, a very competitive UK retail market, changes in the knowledge base, the cost of selling excess stocks at vastly reduced prices, and a policy of sourcing the majority of clothing from a UK supply base. One part of M&S's revised strategies was to restructure their UK supply base. Internationalising the supply base is expected to result in lower production costs, economies of scale, and the speeding up of deliveries³. There were seven main UK clothing suppliers of men's, women's and children's garment lines within the focal net. Several of the relationships remain, while others have ended (See Harrison (2000) and Johnsen and Ford (2000) for more detailed background information).

The textile suppliers to M&S each had long-standing relationships of at least 30 years in duration. M&S accounted for a substantial proportion of turnover for each of the suppliers; often up to 90%. Each of the suppliers had bulk machinery in a dedicated area on the factory floor. M&S had no investments within the manufacturing site of any of the suppliers. "There is a very incestuous relationship in some ways, yet very distant in others in terms of the financial risk"⁴. The nature of the relationship was described as a partnership; "we were in their hair, they were in ours"⁵.

The garment buying and manufacturing process was managed via the use of a contract management system. Customer and supplier were (or are) closely involved in the critical path for the two clothing seasons; autumn/winter and spring/summer. There were computerised orders for each season, and order adjustments were made, dependent on sales, as the manufacturing cycle occurred. There were often daily interactions between staff at all levels within the customer-supplier partnerships.

² M&S sales plummet, 12/1/00, www.news.bbc.co.uk

³ Marks and Spencer Announces Fundamental Changes to Buying Process, M&S press release, 2/11/99, www.marks-and-spencer.co.uk

⁴ Interview with managers from one of the supplier organisations.

3.2/ How did the customer organisation alter their supplier base?

Prior to 1998, a number of smaller textile suppliers were disengaged because of poor performance. The 1999 changes represented something of a discontinuity because of the numbers of high performing suppliers cut from the supply base, and the speed at which this was done.

McKinsey, a firm of management consultants, conducted a vendor appraisal for all M&S garment lines during 1998/99. The formal criteria used to rate each of the suppliers by product category were price, delivery, quality, and design. M&S were advised to simultaneously narrow and globalise their supply chain, rather than have several suppliers for various garments within the UK. Suppliers needed the capability to produce *multiple* garment types from start to finish. There was no room for specialists or smaller suppliers.

In September 1999 several suppliers were classified as the ‘number one supplier’ in their respective garment category by the Appraisal exercise. There were conflicting messages, as just one month later some of these supplier-customer relationships were terminated. The sudden announcements were “shock” to the supplier management teams concerned. One by one the suppliers were informed of their customer’s decision to terminate the respective relationships with immediate effect or, more realistically, at the end of the relevant six month cycle in face to face meetings.

3.3/ Relationship and Network Effects

The bulk of clothing supply was consolidated to the three largest UK suppliers, Dewhirst, Courtaulds Textiles, and Coats Viyella. Coopers and Roe have been partially retained for some garment lines. The retained suppliers were ‘encouraged’ to globalise their businesses and shift production overseas. The three main disengaged suppliers are William Baird, Richard Roberts, and Daks Simpson.

3.3.1/ Retained Suppliers

There has been a range of impacts for both individual supplier actors and the wider network. These range from redundancies to continuing to move garment manufacture overseas. Each of the retained suppliers have made sizeable numbers of employees

⁵ Ibid.

redundant and closed down UK manufacturing sites. Some of the sites are now used as warehouse facilities.

Suppliers managed the cost pressure from M&S by manufacturing the majority of garments from overseas. This was an acceleration of an existing trend towards internationalisation (some suppliers had been switching production from the UK to the Far East since 1996). Some suppliers already had manufacturing facilities overseas. Each supplier has, however, obtained new sites in countries such as Indonesia and Morocco. One supplier owns all of their overseas sites, while others operate through contractors or via joint ventures. The main impact has been to lengthen the supply network. New partners have been included, with each retained supplier acting as a 'quality controller' for new actors. In addition, relationships with UK/European mills have ended, as business has been switched to mills in the Far East.

By the year 2000 there was 100% offshore manufacture of many garment lines. For instance, most men's wear lines are produced overseas because fashions change relatively slowly and alterations are easy to plan. By contrast, some women's wear lines are still manufactured in the UK for enhanced speed and flexibility to market. The three central benefits of offshore manufacturing are; vast economies of scale, a reduction in the cost of labour as a proportion of the garment, and inexpensive materials costs.

3.3.2/ Disengaged Suppliers

For each of the disengaged suppliers there was no choice but to change. No relationship (in terms of activity links and resource ties) remains with the once major customer. Managers at each supplier organisation had six months to either close down or form and implement a "new strategy" for their contract sales business. It was a do-or-die situation. How did the suppliers absorb the rapid withdrawal of a key customer relationship? First, there was substantial machinery and equipment write-down. Many of the fixed assets were specialised for the key customer. In one case there was a complete re-design of the factory floor. It is acknowledged that "we will never replace the business"⁶ because the M&S account was so important to turnover.

⁶ Interview with managers at one of the supplier organisations

One of the disengaged suppliers, William Baird, is suing M&S for breach of contract. The basis of the now House of Lords action is that the lack of a written contract between the two organisations is irrelevant: a long-term relationship is akin to an implied contract, and hence, is legally enforceable (see Harrison (2000) for more details).

Several of the suppliers have developed new direct customer relationships with other UK clothing retailers, a rapid development over a nine-month period. Hence, there are now multiple new, smaller customer relationships to 'replace' the M&S account.

From October 1999 several suppliers began an intense development of a brand business started in the mid to late 1990s simply as a "side line". In other words, brand businesses are new areas of operation that rapidly assumed great importance. Other suppliers already had private label and / or corporate wear businesses as part of their existing portfolio. Nonetheless, there was an increased reliance upon this side of the business.

Some suppliers had multiple relationship positions prior to the withdrawal of the M&S business, whereas other disengaged (and indeed retained) organisations had single positions. Nevertheless, at least 50% of business overall was lost "overnight".

3.3.3/ Impact on the Customer

The new supply base for the customer is becoming partly commodity based, through trading using an extra-net, coupled with some substantial changes in the numbers and types of relationship held with UK suppliers. All of the retained suppliers have very high proportions of their turnover with the customer concerned. The customer has in some ways eliminated a knowledge resource by removing relationships that incorporated 'extra' market knowledge and learning. Some of the retained suppliers have other network positions (their own brands and other markets), but not all do. For those that do not, there is considerable dependency upon the major customer.

4.0/ Case Analysis

This section of the paper first briefly discusses the reasons for the partial dissolution of the M&S textiles net. The analysis then considers how M&S dissolved several relationships using the six-stage process model from the literature. The third part of the discussion considers how the textiles net changed, and the impact on the wider network, for both the retained and disengaged suppliers.

4.1/ Dissolution as an Event

The precipitating 'event' that resulted in the multiple dissolution – via the relationship – was a mixture of contextual factors internal and external to M&S. Superficially, a dramatic reduction in profitability was the cause. However, M&S's poor performance has been influenced by factors including the cost of selling excess stocks at vastly reduced prices, and a very competitive UK retail market. It is fair to say that the type of 'deaths' in this case is continuous-decided (Tahtinen and Halinen-Kaila (1997)). And, as Duck (1982) points out, one actor alone can terminate a relationship.

4.2/ Dissolution Process

To what extent does the six-stage model of relationship dissolution explain how M&S simultaneously dissolved several long-standing supplier relationships? The process within the case can be described as very linear, with no attempts at repair, or use of a voice strategy. Further, the process was conducted relatively slowly in the initial stages, yet later stages were moved through rapidly. In addition, the process was very one-sided.

The initial stage of the model in this case was the understanding by managers that the long-term policies of sourcing the majority of garments from an UK supply base was cost ineffective. There was not a problem with the performance of the suppliers per se. The first two stages of the six-stage model – intra-personal and intra-company – became blurred. At the intra-company level, a team of management consultants was appointed to conduct a vendor appraisal for all garments during 1998/99. This added two external dimensions to what in retrospect was the beginning of the multiple dissolution process.

First, the management consultants advised M&S to simultaneously narrow and globalise their supply network. Hence, specialist or smaller suppliers were now 'poor' performers, even if the vendor ratings placed such organisations first in their respective garment category. Secondly, the vendor appraisal exercise required the close co-operation of each supplier. There was some overlap between the intra-company and dyadic stages of the model, though dissolution was not being discussed with the suppliers at this stage.

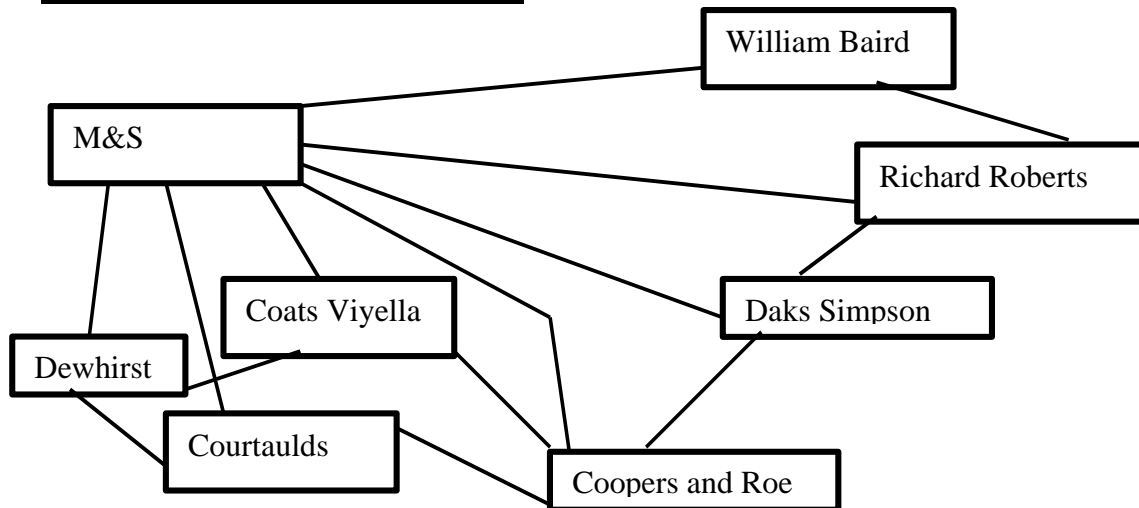
M&S then adopted a multiple-exit strategy and communicated their intent to terminate some of the supplier relationships and hence a partial dissolution of their textiles supply base. This rapid movement to the dyadic, triadic, and network stages

simultaneously came as a “shock” to the management teams in the respective supplier organisations. The impact of the communications was exacerbated because the relevant relationships were terminated with “immediate effect” (or at the end of the six-month season). There were no attempts made to enter any ‘repair’ loops illustrated in the process model. Instead, the M&S process moved rapidly to termination, and hence the aftermath stage.

4.3/ Network Effects: The (Network) Aftermath

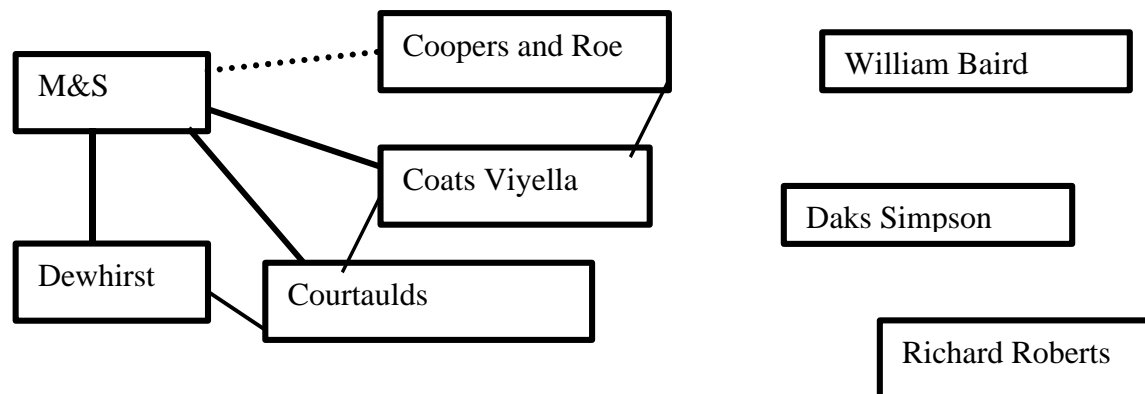
The structure of the net prior to the dissolutions was of one key customer with seven main UK suppliers. Hence, there were a series of dyadic relationships within the net (as illustrated in figure 2 below). Each of the suppliers had other network relationships, with manufacturers of fabrics, cloths, etc. Also, there were relationships with the other suppliers, because M&S often distributed garment orders across the suppliers. What is unusual about this case study is that none of the seven suppliers had any other customers in their contract manufacturing businesses. Indeed, several suppliers only had one customer per se. Other suppliers had private label or brand businesses as part of their overall portfolio.

Figure 2: M&S Textiles Supply Net



The restructuring of the supply network changed the M&S textiles net (as illustrated in figure 3 below). There were three possible outcomes for each supplier. First, the three largest suppliers, Dewhirst, Coats Viyella, and Courtaulds were retained. Coopers and Roe were partially terminated, in that the actor has been retained to supply a reduced number of garment lines. Daks Simpson, Richard Roberts, and William Baird had their customer-supplier relationship terminated.

Figure 3: Outcome of the Multiple Relationship Dissolution



Following the rapid withdrawal of the central customer from a very exclusive network structure, it would be reasonable to speculate on two effects. The disengaged supplier actors would close down, and there would be a vastly increased turnover for the retained suppliers in a shrunken yet more spatially diverse net. M&S initiated a forced change within their supplier network that could not be ignored or reflected back. The suppliers had no choices in terms of the timing of the relationship terminations. Indeed, it was a do-or-die situation in that the disengaged suppliers had to act to manage the impact of the sudden change. A substantial proportion of their business had been lost; in one case, 98%.

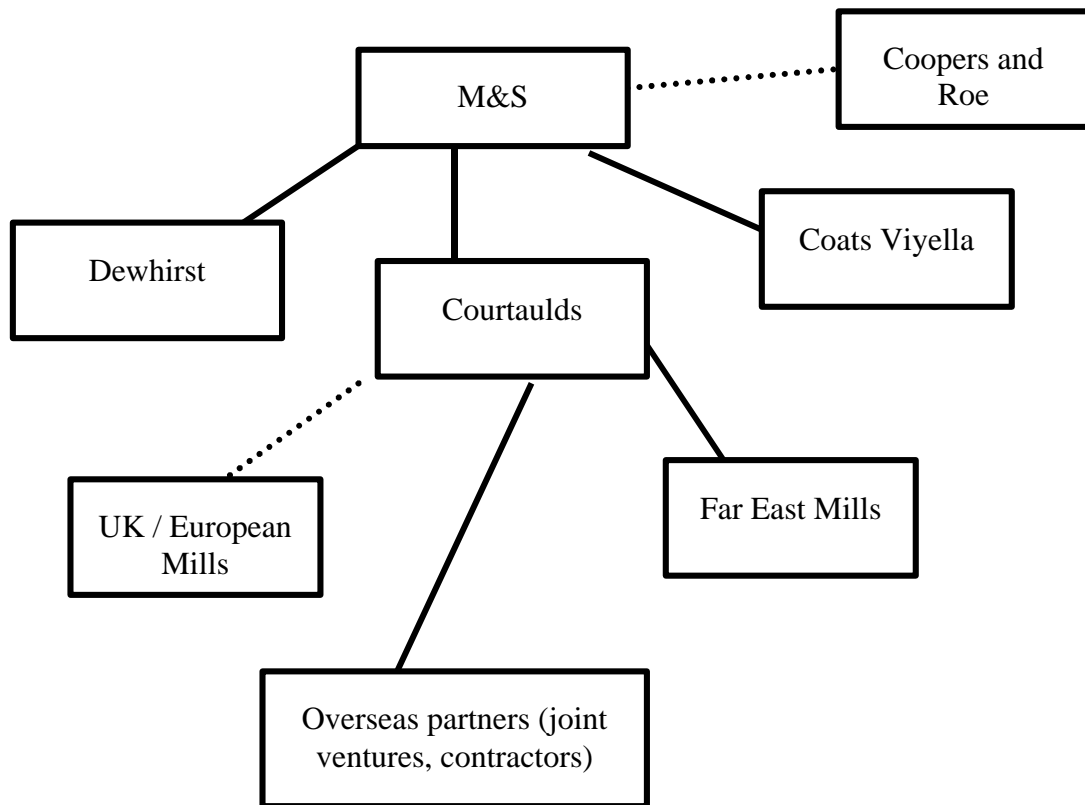
4.3.1/ Retained Suppliers

The bulk of garment manufacture was consolidated to the three largest UK suppliers, Dewhirst, Courtaulds Textiles, and Coats Viyella. These three actors and Coopers and Roe, along with their key customer, form the core of the M&S UK supply net. In other words, even greater integration within these original parts of the net has occurred. Each of the four suppliers have made a large number of employees redundant and closed down many UK factory sites. The main impact has been an

acceleration of an existing move towards internationalisation (see Johnsen and Ford (2000) for a detailed discussion).

The literature would expect actors to create new, or to build on existing, business relationships. Although some actors already had manufacturing facilities overseas, each supplier has formed new direct relationships with overseas partners in other nets (illustrated for one of the suppliers in figure 4 below). There was disruption as new activity links being formed via the establishment of new relationships with actors previously in other nets. The need for retained suppliers to develop new international relationships has resulted in the lengthening of the supply chain as previously unconnected nets become linked. At least two nets have been joined together as the retained suppliers became dependent upon new relationships to handle the change event. In addition, relationships with UK / European mills have ended, with orders now placed with mills in the Far East. In other words, dissolution in one set of relationships can precipitate a chain reaction in other relationships.

Figure 4: The revised M&S Textiles Supply Net



4.3.2/ Disengaged Suppliers

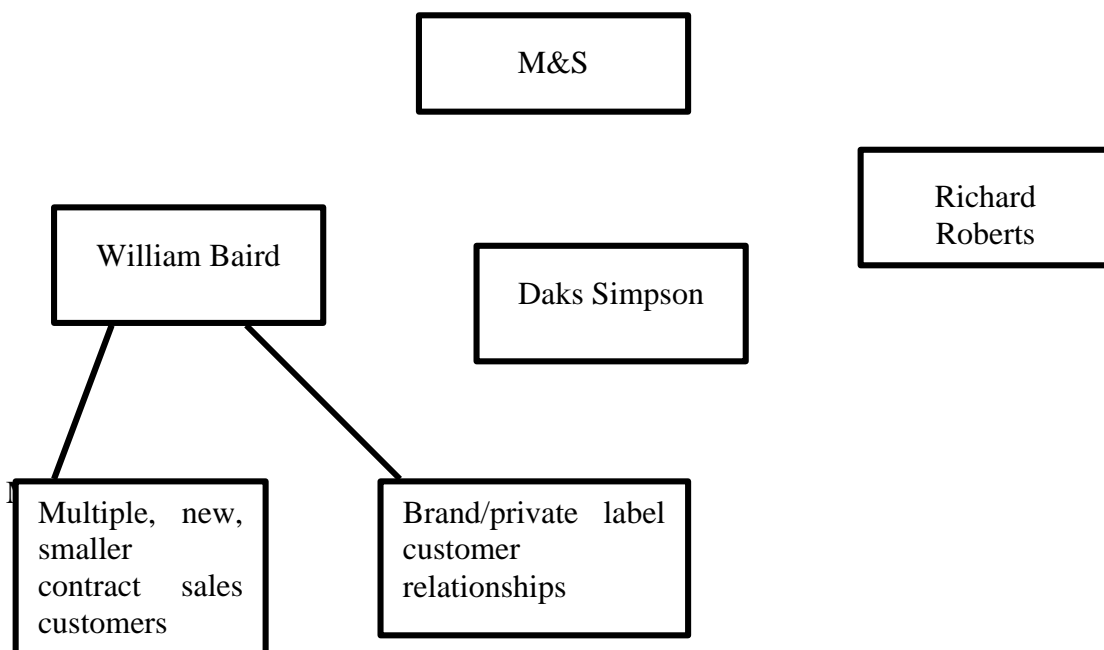
No relationship remains with the major customer, with resource ties, actor bonds, and activity links broken. For all three organisations there were substantial dedicated asset write-downs. Managers had six months to create new strategies for their contract sales operations, and indeed their businesses. The disengaged suppliers in the case under discussion would be expected to find that existing relationships assume greater importance, and create and build new business relationships. Again, as the literature would expect, the outcome of relationship dissolution is to change the structure of the net / network. Two interrelated paths for absorbing the change incorporate actors forming new direct relationships, previously unconnected nets becoming joined, and other existing relationships assuming greater importance (see figure 5 below).

One of the outcomes was to develop new nets of customer relationships for the contract sales businesses. There was rapid customer renewal as multiple, new, smaller customers have partially replaced the M&S contract business. The splitting of

the M&S textiles net has lead to the formation of new direct relationships that link previously unconnected nets. Multiple, new smaller customer relationships with other UK retailers have been created and developed in a very short space of time.

In addition to the renewal of the contract sales relationships, the brand or private label area has assumed greater importance, or closer integration has occurred. For some suppliers, a brand business has been created virtually from scratch, via a very intense development of an area that was once a minor sideline. Multiple new customer relationships were again formed over a short period of time (and continue to be so). Hence the linking of previously unconnected direct relationships across nets as new customers are developed has taken place. It is important to note that for some of the suppliers M&S was the only customer for the whole business, not simply the contract sales side. For other suppliers, a closer integration with brand business customers has taken place. This is particularly the case for one supplier that had a private label business as part of their existing portfolio. Holding multiple network positions prior to the M&S relationship being dissolved mediated the impact of the relationship ending to an extent.

Figure 5: The new disengaged supplier nets



4.3.3/ A disengaged Customer

During September 2000, ten months after M&S made their announcements to terminate several supplier relationships, Coats Viyella announced their intention to sell or close down their contract sales division. The outcome was the ending of a 70-year relationship with M&S. M&S was Coat's largest contract sales customer, and the company also manufactured clothing for other UK high street retailers such as BHS.

Managers at Coats have made efforts to move a greater proportion of manufacturing overseas following the M&S actions, e.g. Morocco. This required investments in plant and equipment. However, the investments made were insufficient to meet M&S cost targets. Mike Hartley, Viyella CEO, said: "The whole team has done everything conceivable to create a viable business, but the scale and pace of change requires levels of investment which, in the face of downward pressure on volumes and prices, do not make financial sense"⁷.

This action was another unilateral and unexpected dissolving of a relationship. With a ten-month delay, one of the retained suppliers disengages from their major customer. This action can be considered to be a delayed response to the actions taken by M&S. In other words, reduced orders, poor clothing sales at M&S, and unsustainable cost pressures. Hence this is a delayed impact, and a counter intuitive one, from being a retained supplier to that of disengaging from the customer.

Coats Viyella are to focus on its successful international thread business and the Jaeger and Viyella brand retail chains. By December 2000 the contract clothing business was sold in a management buy out. By this stage the M&S relationship had indeed been terminated⁸.

5.0/ Discussion

This paper has examined what Tahtinen and Halinen-Kaila (2000) term "actual relationship endings". The case under discussion empirically illustrates the network effects following multiple, simultaneous business relationship dissolution. In doing so, the analysis moves on from that of the dyad or the triad. The case example is unusual in several ways. First, the duration and exclusiveness of the buyer-supplier relationships exacerbated the impact of the dissolutions. For the suppliers without

⁷ Barrie, L., bobbin.com, December 2000, p14.

⁸ www.news.bbc.co.uk, 4/12/2000.

other network sub-positions, this was a do-or-die situation. Further, an interesting twist to the story discussed in the paper is that further dissolutions occurred as a result of M&S's actions. Some of these – with fabric and thread suppliers in Europe- would be expected. What is more interesting is that one of the three retained suppliers unilaterally disengaged from their customer ten months later. Hence, there is a delayed effect on this dyadic relationship from the initial dissolution event. The outcome of a major customer terminating three suppliers from their supply network is to split the original net into several smaller ones, which are then joined with other nets. The case study also illustrates the process of relationship dissolution when concerned with multiple relationships.

The paper provides a novel combining of the relationship dissolution and network change literatures. The use of the network change debates has been an interesting way to extend the arguments from the relationship dissolution area. Models of net integration and splitting have been instructive in considering the network aftermath of multiple relationship dissolution for both retained and disengaged suppliers. The relationship dissolution process models would expect structural changes to occur as an outcome of direct relationships being dissolved. This is the case, not surprisingly, and existing other customer relationships have assumed greater importance, and indeed, new customer relationships have been created. What is more unusual is that the extent of reliance upon M&S on the part of the supplier organisations meant that multiple, new relationships had to be developed over a very short space of time. The need increased for those actors without multiple network positions.

There are several limitations to this paper. The analysis describes how the network structure changed as a result of M&S withdrawing from several supplier relationships simultaneously. It would be interesting to consider in more depth why nets evolve in particular directions. A more methodological issue is that much of the case study discussed here is based on secondary material and only a limited number of interviews. It has been difficult to obtain appropriate access because of confidentiality and the real time nature of the case.

Lastly, there is a paucity of research in the relationship dissolution literature that examines the impact of relationship dissolution upon the wider network, especially when multiple relationships are involved. This paper is one contribution to a developing area.

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