

“Relationship Atmosphere – The Final Chapter”

Author

Catherine Sutton-Brady
School of Marketing and International Business
University of Western Sydney
Locked Bag 1797
South Penrith Distribution Centre
NSW 1797
Australia.
Tel: 61-2-9852-4132
Fax: 61-2-9852-4185
E-Mail: c.sutton-brady@uws.edu.au

Abstract

This paper is a culmination of several years of research into the make up of relationship atmosphere. The study considering the complex nature of relationship atmosphere and its role in supplier/customer relationships, has led to some interesting findings.

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

It then builds on findings of previous studies by the author, which identified an alternative way of viewing atmosphere in the interaction model, as a perception of each actor in the relationship (ie., a perceived atmosphere.). The perceptions of atmosphere in supplier and customer relationships were then compared in each

relationship. This led to the relationships being categorised, along the dimensions of atmosphere. The three categories included were, firstly where the perception of relationship atmosphere matches and there is seen to be one relationship atmosphere. Secondly where there was partial mismatch and therefore some but not total overlap in the relationship atmosphere and finally where there was total mismatch and as such no “one” relationship atmosphere.

This paper introduces the construct of relationship atmosphere, developed overtime and highlights its utilisation in the comparison of the concept of atmosphere across relationships. It is in essence the final chapter in the investigation of the most complex phenomena to come from the IMP2 project.

BACKGROUND TO THE RESEARCH

This study is concerned with exploration of the concept of relationship atmosphere and with the role which the atmosphere of a given relationship plays in facilitating or impeding exchanges between firms . The management of interfirm relationships is increasingly being seen as an important determinant of and indeed in some cases as the key to success in business marketing, (Anderson 1982; Day 1992; Morgan & Hunt 1994 Hakansson & Snehota 1995; Ford *et al.* 1998;). More traditional views of industrial or business marketing, which emphasise the so-called “transactional cost approach” (Williamson, 1979; Day & Klein 1987) contrast starkly with the “relational approach”, and more specifically, with the interaction approach. (IMP, 1982).

Over the last two decades extensive research into business markets, in particular by members of the IMP Group, has seen the development of the interaction approach. This approach has become widely accepted paradigm for understanding the dynamics of business markets (Ford *et al.* 1998). The idea that no business works in isolation or that “no business is an island “ (Hakansson & Snehota, 1989) is now widely accepted in the literature and this perspective is evident in the behaviour of managers in practise.

In contrast to the transactional perspective, a central notion in understanding business-to-business relationships is the desirability of adopting a long-term orientation. Recent literature has advocated the need to attend to long-term buyer-seller exchange relationships, as opposed to a short-term, narrower focus on transactions between parties to exchange (Dabholkar *et al.* 1994).

Much of the research in this domain has concentrated on *dyadic business relationships* as being of paramount interest and importance (Anderson *et al.* 1994). However some interesting research has looked beyond the dyad of buyer and seller, at the role of which intermediaries play in exchange relationships. This change of focus has been pursued in an attempt to enrich our knowledge and understanding of business relationships involving an intermediary; or *triadic relationships* (Havila, 1997). Notwithstanding this extension of interest the literature quite clearly demonstrates the importance of relationships -- whether dyadic or triadic -- in understanding the functioning of business markets.

Building on the foundation that the formation and maintenance of relationships are critical to the conduct of business and to the very nature of business markets, is the assertion that business does not take place in a vacuum. The context in which inter-firm relationships are formed and evolve becomes the setting for the exchange between parties. This contextual setting has been aptly labeled *atmosphere*. (Hallen & Sandstrom 1991; Hakansson *et al.* 1982) Hallen & Sandstrom (1991) discuss the atmosphere of a business relationship in very abstract terms as being tentatively equated with the rules governing the relationship, but more specifically atmosphere is described as the emotional setting within which business takes place.

Hence, the literature leads one to the conclusion that relationship atmosphere is a key or central factor in developing the relationship between firms and in shaping the characteristics of that relationship over time (Hakansson & Snehota 1995). The IMP project (1982) proposed that classification of atmosphere in interfirm relations can be achieved using five dimensions. These dimensions were described as power/dependence, trust/opportunism, closeness/distance, cooperation/conflict and expectations. While subsequent writing has proposed additions and refinements to

these five dimensions, they have achieved widespread acceptance as a framework which is in relative terms, collectively exhaustive and mutually exclusive, and useful therefore for purposes of description and classification of relationship atmospheres.

It has therefore become accepted that these five dimensions are adequate to explain and even to predict the likelihood that a relationship will or will not be formed between parties, and that the dimensions will also be useful in understanding the developing character of an emergent relationship over time. Some discussion has even taken place about the differences in atmosphere at different stages of what has been termed “the relationship life cycle”, including speculation about the impact of changing atmosphere on the relationship. (Ford 1980).

At this point it is appropriate to consider in some greater depth the nature of atmosphere, and in this respect to entertain some philosophical argument about the nature of reality. Hospers (1967, p493 et. seq.) provides a useful discussion as to the nature of the physical world and our knowledge thereof. The arguments advanced by Locke, Berkeley, and Mill respectively regarding realism, idealism and phenomenalism each in their own way got to the nature of reality and our perceptions of reality. Phenomenalists take the position that our knowledge of the world comes from our sense-experiences of objects in the world, and define objects, especially physical objects as collections of actual or possible sense experiences. This perspective applied to “Relationship Atmosphere” would suggest that one can only define such an abstraction in terms of the sense-experiences of observers - that *esse est percipi* – *to be is to be perceived*.

Indeed one might have expected that researchers in this field would have paid attention to the distinction between “real” versus “perceived” relational atmospheres. Interestingly this notion has been neglected in most studies and this would appear to be a significant gap in the literature. The perspective adopted in the literature appears to universally be that of the naïve realist: one who believes that a physical world exists whether we perceive it or not. In a discipline such as marketing it is difficult to imagine that conceptualization of a construct such as relationship atmosphere could

have failed to consider the issue of perception. Given that the dimensions of atmosphere as described above are only observable by the individual from a subjective standpoint, and that therefore emotion and subjective perception will inevitably intercede, this omission is startling to say the least.

It is reasonable therefore to propose that the perceptions of each party to a relationship, as to the nature or quality of the atmosphere of the relationship are unlikely to be identical or even broadly similar. If this is so, then some important questions are raised about how relationships can be conducive to mutually beneficial exchanges when unanimity of views about the atmosphere is unlikely.

RESEARCH PROBLEMS AND QUESTIONS

Extending from the foregoing propositions, it is possible to argue that if relationships are important in exchanges, as the literature suggests, and if the relational atmosphere also is critical to creating and sustaining “appropriate” relationships, and moreover if atmosphere by its nature is a perceptual artifact, then investigation of perceptions of relational atmosphere by parties to an exchange is not only justified, but essential to any theory of exchange. Hence the primary aim of the research is to investigate the concept of relationship atmosphere, the role it plays in interfirm relationships and the importance of the notion of different perceptions of atmosphere in any given relationship.

Research Problem

The research problem with which this work is centrally concerned is the nature and constituents elements of atmosphere in the context of interfirm relationships. Specifically the research problem is whether, and if so in what sense the atmosphere of interfirm relationships is independent of the perception of observers or in fact a function of perception of parties to a relationship and to what degree there can be agreement on the nature of the atmosphere amongst independent observers.

Research Questions

The research questions which flow from this problem

1. What is relationship atmosphere?

What are the dimensions that make up what is commonly known as relationship atmosphere. ? Although discussion of these dimensions has taken place over time, a need exists for a stronger definition of relationship atmosphere and its apparently multi-dimensional, multi-faceted nature.

2. Do the actors in a given relationship have the same perception of the atmosphere of that relationship?

To what extent can the perceptions of the actors in a relationship match on various dimensions and even across dimensions? The research should examine at the dyadic and triadic relationships and the extent to which there are differing views between the actors on the various dimensions of atmosphere. This is clearly something that has previously been ingnored.

2. What is the impact on the relationship of the perceived difference in atmosphere?

This becomes the "so-what" question, if there is a difference in perceptions of atmosphere does it in fact impact negatively on the relationship outcomes? In the existing literature the implication is that good relationship atmosphere is in some sense inexorably linked with a good relationship. Again this brings into question the differing perceptions of "good" atmosphere and "good relationship.

The need for answers to these questions will be considered in Chapter 2 where a review of the literature will elaborate the gaps that exist.

JUSTIFICATION FOR THE RESEARCH

Justification for the research stems from the significance of the findings and the potential contribution to be made both to the body of knowledge and to the field of business marketing, most particularly the area of interfirm relationships in an international context.

The problem of managing business relationships is one not only of concern to academics but also an issue for practitioners, and is therefore worthy of continued study. Business-to-business marketing is nowadays seen as a vital and important field of research endeavour. While academic institutions and the authors of textbooks and research papers once concentrated almost exclusively on the importance of consumer marketing, in the last twenty years there has been a shift towards the importance of business or industrial marketing. More courses in business marketing are now offered to students and research centres devoted to the study of this area are now more commonplace. With the growth in awareness of the importance of business marketing has come the need for in-depth research in the area to contribute to the knowledge and understanding of academics, students and practitioners.

The emergence of business to business marketing also brought about the need for new paradigms, as it became clear that models used in consumer marketing did not necessarily work for business markets. One such paradigm, which was introduced, was the *interaction model*, which highlights the importance of relationships in business markets. Within the interaction model the idea of relationship atmosphere can be argued to be central to the formation and development of useful inter-firm relationships over time.

Such an important aspect of relationship interaction needs more detailed research. As outlined in the discussion of the research questions, there are many aspects of the phenomenon of relationship atmosphere which have previously been ignored, this thesis addresses those gaps with the intention of giving academics and practitioners a better understanding of the concept and its role in relationships.

By way of further justification for this study, another important aspect of the study is its international orientation. The study will seek to utilise data collected in several countries around the world. In particular, while there have been cross-cultural studies of inter-firm relations, this study will aim for the first time to use data available through the IMP Group to compare Australian and Phillipine and European views of relational atmosphere. This combined with an indepth investigation of relationship atmosphere makes it a truly original contribution to the field of enquiry.

METHODOLOGY

This section outlines the philosophical stance of the researcher and provides a briefing on the methodological choices that underpin the study. Given the research problems and questions outlined above, a positivist approach to the research is the best fit. The positivist approach is concerned with finding the facts and causes of social phenomena. It helps the researcher to analyse the situation through hard data gleaned from replicable research. Using a postivistist approach shapes the methodology, since data are collected in a structured manner and the researcher aims as far as possible not to intervene in the phenomena under investigation. This researcher however has a personal philosphy of realism which does shape the research to some extent. It is the belief of the researcher that this is not in conflict with the positivist paradigm but complements it in a search for a true perspective on reality.

This study draws on the methods of a previous research program, IMP2 (The Industrial Marketing and Purchasing Group's second major research program). It will aim to use data collected from the application of three questionnaires (supplier, customer and intermediary) developed for that study, which not only allows for comparability but gives the researcher access to an instrument with measured reliability and validity.

The questionnaire is divided into three sections: the focal relationship, the connected relationship and the interacting parties. These three sections combine to give an overall view of the relationship from the respondents perspective. This study is particularly concerned with the atmosphere section which contains 60 statements which attempt to measure atmosphere.

Respondents were selected within company based on the fact that they were the primary link between parties. Companies were chosen in various industries based on their dealings with supplier countries. For example firms in the Phillipines were only interviewed if they had Australian suppliers. Respondents were asked to nominate a relationship that was important to their firm. Their perception of importance ranged from importance in value to importance based on critical components of the end product.

For this particular study the data gathered from Australia and the Phillipines was used to complement the European data previously collected. Questionnaires were personally administered by the researcher in Australia and by researchers at a university in Manila.

The statistical programme SPSS (Statistical Package for the Social Science) was used to analyse the data. Factor analysis was carried out initially to confirm the dimensions of atmosphere. This was followed by some simple matching of the various dimensions. Finally analysis was carried out to determine across relationships if perceptions of atmosphere matched.

This paper has introduced the broad domain for investigation in this study. It has introduced the research problem and research questions. It then presented the research justification, methodology was briefly discussed and justified. It is clearly work-in-progress, but is nearing completion.

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