

# **Criteria in the selection of exchange partners – significance of a dynamic relational perspective**

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## **ABSTRACT**

*The paper demonstrates the nature of the decision criteria employed in the choice of exchange partners among buyers (tour operators) and sellers (service suppliers) in the European tourism industry. The choices made by both parties tend to be viewed from a dynamic relational perspective focusing on previous experience and assumptions concerning future cooperation. Within this context, confidence arises as the key factor.*

## **INTRODUCTION**

The choice of exchange partners is one of the basic decisions made by business actors. Depending on the dominant terms of trade within the industry where the business actors are operating and on the relative importance of the resources and values involved in the given situation or decision, the choice of exchange partners can have considerable strategic, tactic, or merely operational based implications for the actors. Examples of the former are choices of strategic alliances on the supply side and of the latter, bookings of hotel rooms made by a travel agent. Despite the general importance of the choice of exchange partners, the question of what criteria business actors use in their choice of exchange partners is rarely discussed in the research literature of supply chain management, with the exception of e.g. Wilson (1994); Monczka, Trent & Handfield (1998) and Park & Krishnan (2001). The challenges of this area are of particular interest in the service industry where the possibilities of securing a satisfactory quality in future service performance by an exchange partner in the “moment of truth” (Normann, 2000) is largely beyond the control of the focal company.

As the research within strategy, marketing and new institutional economics generally reflects a predominantly static character with regard to choice of exchange partner, this paper demonstrates the dynamic nature of the partner selection decision by linking it to the relationship development process. This implies that the criteria for the selection of partners is one of continuous consideration and reconsideration of potential and actual partners. This study seeks to investigate the decision

criteria used by suppliers (sellers) and purchasers within the context of tourist products within the European tour operator business. By embracing both buyers' and sellers' perspectives within the same study, it is possible to get a greater understanding of the partner selection process than by just concentrating on one perspective.

## **RESEARCH PROBLEMS REGARDING THE SELECTION OF BUSINESS PARTNERS**

### **Criteria for choosing exchange partners**

One of the most important arenas for decisions regarding exchange partners is in distribution channels. Stern and El-Ansary (1992) present a list of 18 criteria for choosing a channel partner from the supplier's viewpoint and 23 factors (adapted from Brown & Purwar, 1980) that retailers use in choosing suppliers. The criteria, from the suppliers' viewpoint in particular, reflect *inter alia* the actual distribution strategies of the suppliers and the care for the marketing functions (Grether, Cox and Vailes, 1982). Most of the criteria are linked to conventional vertical marketing systems that pertain to similar conditions as described within the neo-classical perspective and within the framework of Porter (1980). Partner selection criteria, however, is likely to be strongly influenced by the main organizational pattern within the channel. Other vertical marketing systems, such as administered, contractual and corporate systems (Stern & El-Ansary, 1992) can be expected to produce other selection criteria compared to what is found in conventional distribution systems. Although there has been considerable research on the issue of how channel partners develop partnerships (f.i. Anderson & Narus, 1990; Mohr & Nevin, 1990; El-Ansary & Stern, 1992) as well as the distribution and use of power between channel partners (e.g. Etgar, 1977; Gaski, 1984; Reve & Stern, 1979; Cadotte & Stern, 1979; Frazier, 1983; Frazier & Summer, 1984; Rosenblom and Warshaw, 1989), empirical evidence on the decision criteria used to choose channel intermediaries remains scarce.

The rationale for the choice of suppliers remains a key issue in supply chain management (Wilson, 1994; Monczka, Trent & Handfield, 1998; Park & Krishnan, 2001). For many companies, suppliers can have an important role in the accomplishment of the goals of their business customers. Within high-technology production industries, the suppliers' potential contributions to the realization of goals will also be reflected in the buyers' criteria for the choice of suppliers (Ruyter, Moorman & Lemmink, 2001). Referring to key supplier evaluation criteria, Monczka et al (1998) suggest the

general evaluation of suppliers based on the three primary criteria, price, quality and delivery. Ellram (1990) presents an overview of industrial supplier selection models from the literature and states that different models have to be linked to the various types of decision problems in question. With reference to several case studies, Ellram (1990) describes 15 variables which are separated into four categories: financial issues, organizational culture and strategy issues, technological issues, and other factors. Among the 15 single variables, several of them can be perceived as various aspects of confidence which one partner has in the other (Jensen, 1998), such as stability, capacity, safety record and business references regarding the supplier, and the “feeling of trust”. Park & Krishnan (2001) made an effort to test three perspective models for supplier selection among small American firms in different industries. The results strongly support a rational normative perspective as the most dominant one. This perspective suggests that executives make use of a set of objective criteria (cp. Ellram, 1990) in order to evaluate target suppliers, however, it is also assumed that executives exhibit rational behaviour within certain limits (Simon, 1955).

Despite the fact that the rationale for the choice of partners in strategic alliances remains a critical issue for the forming of alliances, there is limited empirical research on the partner selection process (Hitt et al 2000) of which Saxton (1997) represents one of the recent exceptions. As the development of capabilities and the exploitation of resources still represent important motives among many actors to enter strategic alliances, “..the types of resources firms seek to leverage and the capability they need to learn will vary with their market context ..” (Hitt et. al. 2000, p.450). Various market conditions can produce different decision environments (Thompson, 1967; Achrol et al, 1983; Achrol & Stern, 1985; Gaski, 1989) in terms of ambiguity and uncertainty regarding the rules of exchange (Hitt et.al., op cit.). The priorities among criteria for the choice of partners in the input and/or the output environment are likely to be influenced by the actual perception of the industrial environment.

For many firms, the questions of dependency and transaction specific investments linked to partner-specific decisions remain a classical strategic dilemma producing problems such as exit barriers and switching costs (Porter, 1980; Williamson, 1985). Transaction specific investments can also include social capital (Coleman, 1988) or inter-personal investment. By comparing the importance of interpersonal relationships between buyers and suppliers on switching costs with relationships on inter-firm level, Wathne, Biong & Heide (2001) conclude that the latter type of relationships have the most considerable effect on switching costs. However, suppliers also need to provide competitive

terms, such as immediate price advantages, for new entrants who would like to undermine existing relationships

### **Service industry as context**

Two of the critical issues in the choice of exchange partner within service industries are the intangibility and the process-specific nature of services. In the service sector, production and consumption basically occur simultaneously (Shostack, 1977; Normann, 2000; Lovelock, 2001). This creates the problem that service performance is difficult to control or inspect beforehand (Zeithaml et al, 1981; Troye et al, 1994; Lovelock, 2001), especially with regard to services that are high on experience qualities (Nelson, 1970) and credence qualities (Darby & Karni, 1973). The choice of a new service supplier or a buyer has to be judged from a limited body of “evidence”, e.g. such as first impression and the reputation of the potential partner. A poor performance of an exchange partner in a service co-production situation can have negative effects on the consumers’ overall perceived service quality and consequently on the image of all other participating service firms that are associated with this service provider. This is particularly critical when the brand name of the firm is involved. In many cases tour operators experience their brand image being damaged by bad performances from their sub-producers for a package of services. The choice of exchange partners within service industries where a good image is a critical competitive factor is therefore particularly sensitive. Basically, this problem has previously been described by Williamson (1981;1986) as an argument for vertical integration for manufacturers who need to secure that expected services from down stream service exchange partners are delivered. This dilemma is also empirically described with reference to Ruyter, Moorman & Lemmink (2001): “Increasingly, even manufacturers of tangible core products, such as computers and cars, depend on added-on (after-sales) services for a large part of their revenues ...” (p. 273). Williamson (1981) restricts this focus to the problem of demand externalities, however, when service suppliers are participating in the service process they can also be causing what can respectively be called “supply externalities”. An example would be a hotel producing (supplying) accommodation services for a group of visitors traveling with a tour operator as part of an inclusive tour.

Ellram (1990) includes a number of confidence-specific factors among the selection criteria of suppliers. The importance of confidence in decision situations, such as partner-specific choices, is normally influenced by the prior perception of risk (McAllister, 1995; Lyons & Metha, 1997). Risk associated with a co-operative relationship can be described as a function of the following two

dimensions: 1. The probability of things going wrong, and 2. The consequences, first of all of the size of any loss, should this happen (Sako, 1992; Nooteboom, Berger & Noorderhaven, 1997). Whilst the first aspect is principally related to the uncertainty surrounding the characteristics of a (potential) partner and more generally to those of the environment in which decisions are taken (Thompson, 1967), the second deals more with the values that are put at risk. These values encompass both material and non-material resources including image and competence as elements of competitive advantage.

### **Some basic questions derived from the literature**

A number of basic questions can be raised from this literature. The first is the importance of exit barriers and switching costs in decisions involving a change in exchange partners and what factors influence these costs in decision situations (Porter, 1980; Wathne, Biong & Heide, 2001). This problem can also be linked to the question of confidence or trust in existing exchange relationships as well as role performance among the partners (Frazier, 1983; Frazier & Summer, 1984). The second question relates to the significance of the rational, normative perspective based on a set of objective criteria when selecting an exchange partner (Ellram, 1990; Park & Krishnan, 2001). The third question is generally the contextual influence of the priorities of factors involved in choosing exchange partners. This problem can, for example, be linked to the degree of uncertainty and risk perceived by the actors within an actual market or industry environment (Thompson, 1967; Achrol et al, 1983; Achrol & Stern, 1988; Sako, 1992; Lyons & Metha, 1997) such as a particular service industry context (Holloway, 1989; Troye et al, 1994; Jensen, 1998; Jensen, 2001). These three issues pertaining to exit barriers, the set of selection factors, and the decision context can all be linked to various stages in a relationship development process (Dwyer et al, 1987; Larson, 1992; Jensen, 1998) starting from the initial contact and the long term horizon of the decision. This calls for research into more dynamic aspects of partner selection

## **DATA, METHODOLOGY AND EMPIRICAL CONTEXT,**

The data for this paper was based on personal interviews with 47 key informants within buying and selling firms in the international tourism industry. A main objective of the initial study on which this paper is based was to elaborate the characteristics of the exchange relationships between buyers and sellers so as to obtain new theoretical knowledge of exchange relations in the international tourist

industry. The buying firms consisted of European tour operators producing and/or distributing organized round trips for tourists to Scandinavia and the sellers consisted of Norwegian service providers selling partial service elements of packages to the tour operators. Among the 22 tour operators (buyers) included in the study there were 5 from Norway, 1 from Denmark, 8 from Germany, 4 from Switzerland, and 3 from Italy. The interviews with the 16 selling firms primarily located in the North of Norway comprised 12 hotels (the central management of 4 national hotel chains to which the local hotels belonged was additionally interviewed), 3 providers of activities/adventures and 1 transport company. The data also included interviews with 5 tourist organizations playing a facilitating role in the initiation of contacts between local service providers and tour operators. A great proportion of the firms were smaller firms of which some had an entrepreneurial management character. The selection of individual key informants in the firms was based on their position and duties within their company. Respondent were sought who had the main responsibility for external relations with regard to either purchases or sales and were mostly positioned high up in a hierarchical structure.

Data was analyzed using an inductive approach, i.e. the data disclosed what the participants placed emphasis on when choosing a working partner. The initial sampling of companies was made based on an estimate aimed at creating a small number of possible dyadic buyer-seller relationships and achieving a certain variation in the characteristics, e.g. size, product type, location in the value chain, and nationality. Additional sampling was conducted from partially grounded theory principles (Glaser, 1978; Strauss & Corbin, 1990) on the basis of its theoretical relevance for the ongoing analytical process. Both the analysis and the interviews were carried out using a set of theoretical pre-categories of which the political economy of a dyad (Stern & Reve, 1980; Achrol, Stern & Reve, 1983) supplemented by relationship contracts (Macneil, 1980) represented a theoretical reference framework. During the collection of the data and the analytical process, amendments were made to the grouping of categories, namely elimination, differentiation and additional items. The data-analyses presented subsequently is limited to the issues linked to the selection of exchange partners.

## **RESULTS OF THE DATA ANALYSIS**

As categorized from the data the factors that come into play when choosing an exchange partner have been denoted here as “critical factors in the choice of exchange partners”. These are

understood as decision factors that are considered important by the firm when selecting a new partner or deciding to retain an existing “probationary partner” on a more permanent basis. The critical factors must satisfy the criteria or requirements employed by the participant under review. Furthermore, requirements must be fulfilled to a satisfactory level for the exchange partner to be selected or accepted either on a probationary or permanent basis.

Subsequently, we will present a brief overview of the categorization of the critical factors in the choice of exchange partners from the viewpoint of the buyers (tour operators) and the sellers/suppliers (local service producers). The focus will first of all be on the findings that are regarded as the most interesting ones from a theoretical point of view.

### **Basic common traits**

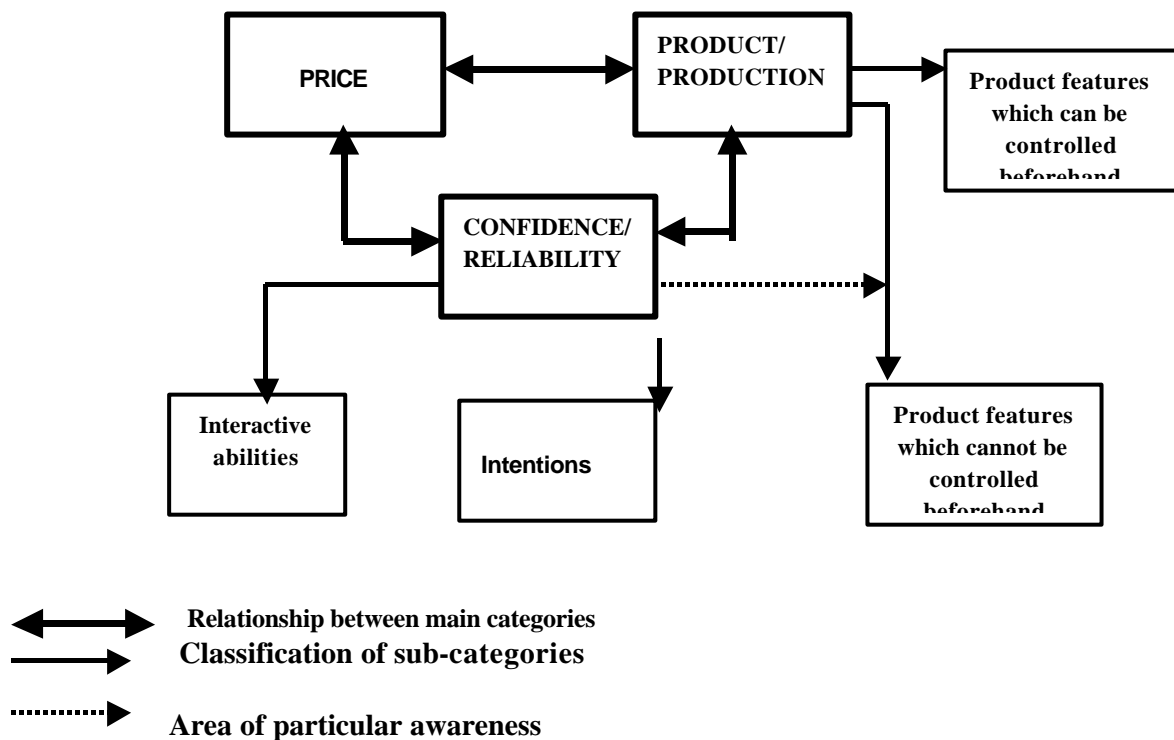
One of the most important findings for both buyers and sellers was that the criteria connected with the choice and testing of a new partner corresponded to the criteria employed to retain an existing partner on a more permanent basis. The main differences were found in an intensification of the requirements placed on a partner who was to become permanent compared to the corresponding relationship with a new partner, particularly with regard to the trust dimension. This can lead to a hypothesis that a dominating feature of the industry’s actors is their search for durable exchange relationships, that is, a general long-term orientation regarding working relationships (Ganesan, 1994). Even if we presumed that not all choices of partner were taken with a view to permanent cooperation, we were not able to find in our data substantial material differences in the criteria during the individual stages except for certain modifications emerging in the existing stage in the relationship development (cp. Dwyer, Schurr & Oh, 1987; Larson, 1992; Jensen, 1998).

### **Critical factors in the buyers’ choice of exchange partners**

The criteria for attractiveness for buyers (tour operators) can be linked to three main problem areas; (1) Price; (2) Product; and (3) Confidence or reliability (Figure 1). The three main critical factors share both a complementary and a substitutable relationship to each other. A complementary relationship indicates that all three factors must be taken into consideration and will be assessed together as a “package”. A substitutable relationship means that the level of satisfaction with one element can be replaced, but only to a certain degree, through the level of satisfaction generated by another element. Such a relationship would for example exist between the quality of a product and its price, between the level of confidence with a supplier and the type of product, e.g. as expressed by the degree of standardization, and between confidence and price, e.g. when trying to obtain the

lowest available price by using the market mechanism. However, there is reason to emphasise that certain minimum thresholds exist for each component which a tour operator does not normally wish to agree to, such as a minimum acceptable quality of the service offered by a supplier. The situation in the marketplace and the scarcity of resources are central factors affecting the extent to which one is willing to go.

**FIGURE 1:** CATEGORIZATION OF THE CRITICAL FACTORS IN A BUYER'S (TOUR OPERATOR'S) CHOICE OF SERVICE SUPPLIER (SELLER)



Central to the main critical factors faced by a tour operator is the fact that the uncertainty surrounding them and their internal emphasis will vary during different stages of the process of developing a relationship (cp. Dwyer et al, 1987; Larson, 1992). This would mean that a partner with whom one had already some working experience would already have been “checked” as far as a series of points would be concerned. There would consequently exist a solid basis for evaluating the reliability of a partner. Social bonds may later contribute to the actor under review being willing to adapt to certain “less reliable” but nevertheless familiar aspects of their partner. In the course of time the demands of the working environment could lead to a change of emphasis for the individual price and product elements.

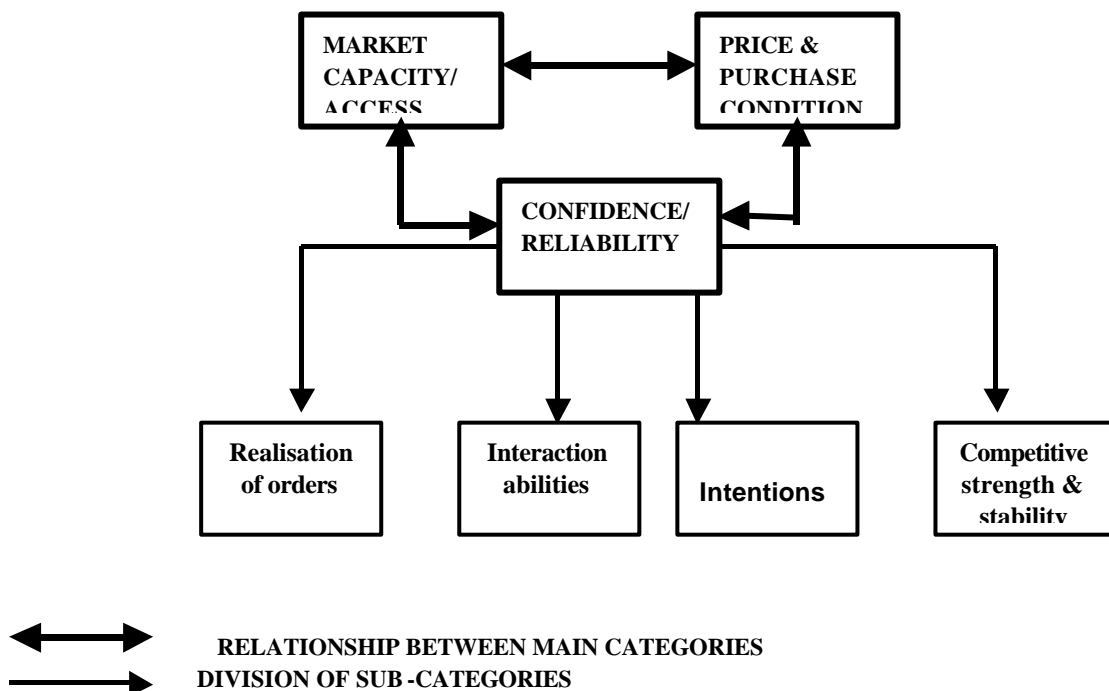
Product/production is specified into the following sub-categories; (a) Product type (specifically the kind of function in relationship to the total product and the degree of standardisation or differentiation); (b) capacity; (c) location; (d) qualitative features; and, (e) image. An important distinction should be made between characteristics which can be (partially) registered beforehand in advance of delivering a service and characteristics which can be registered only after delivery of the service. The qualitative aspects of an actual service production process/service performance cannot be registered in advance. The features of structural product elements (Troye et al, 1994) such as a hotel's physical capacity, its interior, equipment and location are examples of factors which can be recorded beforehand.

The confidence-factor is generally linked to securing something that will happen in the future. The basic goal is to ensure that the transactions and the fulfilment of a partner's duties are conducted to the tour operator's satisfaction. Additionally, the social dimension of the interaction between the contact persons of the companies also play an important role within this context. The characteristics of the interactions have been specified with regard both to financial/functional procedures and social processes. The respondents focus to a great degree on qualities that contribute to the ease of communication between their contact persons. In the first instance these qualities are linked to social processes. However, administrative routines also play a central role in the interactive process, e.g. routines for confirming orders, giving a speedy reply, accuracy and clarity. Such qualities are of relevance both to a business partner and their contact person. The three most important main aspects of the confidence factor have been categorized into: (a) Interaction abilities; (b) Intentions behind the cooperation; and (c) Uncertainty linked to future service performance (product features which cannot be registered beforehand). Confidence relates to both the person ("personal or person-specific trust") and to the organisation ("organisation-specific confidence"). Personal confidence relates first of all to characteristics by the contact person of the other firm as organization-specific confidence relates primarily to expectations regarding capabilities and business-specific responses on the firm-level. A comparison with Ganesan (1994) shows that it can be expedient to employ a broad concept of confidence which incorporates professionalism and intentions, e.g. long-term intentions or other motives for cooperation, as well as the social dimensions. The *in vivo* designation "professionalism" of a partner incorporates the qualities of a partner which contribute to the transactions and the core tasks involved in performing it efficiently.

**Critical factors in the sellers' (service providers') choice of exchange partners**

The critical factors utilised in the selecting exchange partners from the sellers' perspective are presented as: (1). Market capacity (their ability to acquire customers); (2). Purchase price and the attaching conditions; and (3). Confidence/reliability. The latter are further sub-categorized into: (a) Realisation of orders (percentage cancellations); (b) Interactive abilities; (c) Intentions (loyalty and expanded involvement); and (d) Competitive strength/stability (solidarity) (Model 2).

**FIGURE 2: CATEGORIZATION OF THE CRITICAL FACTORS IN A SELLERS'S (SERVICE SUPPLIER'S) CHOICE OF EXCHANGE PARTNER (BUYER)**



As with the buyers, a complementary and substitutable relationship exists between the critical factors surrounding a seller's choice of partner. Similarly for each criterion there also existed a substitutable relationship within certain minimum boundaries.

The first factor, market capacity/access is reflected in a buyer's (tour operator's) relative size in the market niche and indicates thereby a buyer's potential to offer access to a sufficient number of visiting consumers. The capacity factor was often linked to a buyer's potential to purchase large portions of a service supplier's turnover with time. When it comes to Price conditions, a large number of sellers tend to pay for security in the market place as well as for confidence in the buyers and thus obtained perceived stability in the output environment. The general description of the confidence factor has already been presented in the previous sections and is also applicable in this instance. However, for sellers, the following subcategories were developed: (a) Realisation of orders

(measured by percentage cancellations), that is the average number of orders realised will lie well below the original volume ordered due to overbooking, for example, caused by a wholesaler (buyer) making hotel reservations; (b) Interaction abilities encompass roughly the corresponding factors for buyers. A buyer's favourable interactive qualities can be cost-saving with regard to administrative transaction costs, can strengthen long-term trust relations and counteract uncertainty/instability; (c) Intentions, have been separated into long-term intentions and willingness to broaden commitment; and (d) Competitive strength & stability: This sub-factor is linked to the competitive robustness of a buyer contributing to a seller experiencing stability in the output environment and the reduction of uncertainty when obtaining a kind of long term relationship with a buyer who offers large volumes.

## **DISCUSSION**

The results initially offer support to the existence of a rational normative perspective in the choice of exchange partners (Ellram, 1990; Park & Krishnan, 2001), though at the same time revealing that the actors behave within the limits of bounded rationality (Simon, 1955; Ellram, 1990). By taking a high degree of decision uncertainty (Achrol & Stern, 1988) into account, the latter aspect can be assumed to be an important reason that the confidence-factor has been derived as the most dominant factor in the choice of exchange partner. The confidence to an actual or a potential exchange partner is linked to uncertainty regarding future performance. For buyers, this problem is first of all related to the future service performance of a service supplier with regard to the availability of the service in consumption situations and to service quality. Compared with Monczka et al (1998) who present price, quality and delivery as key supplier evaluation criteria, the quality and the delivery issues are strongly linked to the confidence factor in our context. In the latter case the actual service delivery can be regarded as a co-production process, for instance in the case when travellers in an inclusive tour arrive in a local hotel (the service supplier). This is partly supported by Ellram (1990) whose findings including stability, capacity, safety record, and "feeling of trust" as being important factors in the judgement of suppliers. In our context, the risks perceived by the buyer who is frequently the producer and the brand owner of inclusive tour products is especially linked to potential damage of its image and brand name when something goes wrong locally.

For service suppliers, the confidence factor is primarily related to the buyers' abilities and reliability to provide customers (visitors), not at least to fill available capacity, but also to communicate any

difficulties in doing it (realisation of orders), and to keep adequately to financial obligations, including payments. The buyers are to a great extent perceived as risk-reducers in the output environment with regard to complexity, dynamics, and uncertainty in the international market place. The mainly passive role of the suppliers explains why the demand externalities (Williamson, 1986; Ruyter et al, 2001) have less importance than the “supply externalities”. Additionally, it should be stressed that confidence in interaction abilities is generally important for both types of actors for the mutual ease of the business transactions as well as for the smooth co-production of services in “the moment of truth” (Normann, 2000).

As the concept of confidence or trust can be regarded as a dimension of a relationship (mutuality of trust) as well as a quality perceived by or projected on one actor it is the latter aspect that is focused on when it comes to an actor’s choice of an exchange partner. Lyon & Metha (1997) describe “credibility” as a characteristic belonging to someone who wishes to abstain from opportunistic behavior and “having confidence” as a quality of a central actor who believes the other party is really credible ( see also Morgan & Hunt, 1994). Confidence and reliability may be considered as a combination of intention (goodwill) and the ability/quality of one of the parties to generate in advance promised results or to act with integrity (McAllister, 1994; Ganesan, 1994). As confidence or trust first of all reflects a quality held by individuals (Nooteboom et al, 1997), the trust object can be another individual with emphasis on emotional trust (Kelly, 1983; Young, 2001) as well as a firm with focus on future performance (Morgan & Hunt, 1994; Lyons & Metha, 1997). Jensen (1998) identified two thresholds of confidence to a partner that must be crossed during the transition from, the pre-contract stage to the probationary stage and the probationary stage to the cooperation stage in a relationships development process. This illustrates the dynamic aspect of confidence and relational trust (Nooteboom et al, 1997) which also contributes to the development of exit barriers in existing exchange relationships. In a given decision situation, confidence-based exit barriers or costs have to be considered relative to the external environment and internal goals. However, the clear finding of a dominant long term orientation among the actors when it comes to the choice of exchange partner indicates that the perception of uncertainty and dynamics in the working environment and risk regarding consequences of being “stuck in the mud” represents a sufficient reason for staying with a long term partner in order to “stabilize” this environment.

By linking the problem of criteria in the choice of an exchange partner in the context of a relationship development process (Dwyer, Schurr & Oh, 1987; Larson, 1992; Ring & Van de Ven, 1994;

Jensen, 1998) the criteria will first of all be considered as requirements in the initial stage of the relationship development. This would include the phase of awareness (Dwyer et al, 1987), preconditions for exchange (Larson, 1992), and pre-contract (Jensen, 1998). The criteria can be linked to a partner's attractiveness during these initial phases. However, as the attractiveness of an existing partner can change during a period of cooperation the question of when to quit also should be confronted with a set of partner-specific criteria for retention or dissolution and it should be possible to compare these categories of criteria with selection criteria for new partners. The problem of partner-specific choice can thus be continuously reactivated within the process of cooperative exchange. Partner evaluations carried out in a later stage of a relationship development process can be included in what is denoted as evaluation audit (Monczka et al., 1998).

From a dynamic relational point of view, partner attractiveness (Dwyer et al, 1987) can be regarded as a relationship between the expectations and the execution of the roles, e.g. in an exchange-dyad (Frazier, 1983; Rosenblom & Warshaw, 1989). Functions and roles of each party in the dyad are initially specified before commencement of the business exchange (during the planning phase) and normally re-specified after implementation of the relationship based on an assessment of the results (Frazier, 1983). The better the second party performs its agreed role and functions, the greater the satisfaction and motivation of the first party to maintain the relationship. This presupposes that the second party carries out functions which the first party experiences as being important, beneficial, or critical for them (cp. Cadotte & Stern, 1979), e.g. performing certain critical marketing functions within a distribution system (Rosenblom and Warshaw, 1989). Partner attractiveness can in this way produce benefit power (French & Raven, 1959; Cadotte & Stern, 1979; Frazier, 1983) which has to be considered in light of the service suppliers' analytical capacity regarding the output environment.

In Larson's (1992) model of the developmental process involving entrepreneurs the division between the personal and organizational levels clearly emerges in the stage entitled 'preconditions for exchange' where an explicit distinction is made between reputation, previous relations and trust at both the personal and business levels.

This differentiation is supported in our analysis making a basic distinction between interpersonal trust (Nooteboom et al, 1997; Wathne et al, 2001) and the confidence of an individual in a firm regarding its capacity and competitive strength.

## CONCLUDING SUMMARY

The factors involved in choosing an exchange partner whether on the demand or supply side represent an indirect expression of what the actors consider to be important in exchange relationships. The factors thus reflect criteria of importance in the selection of a new working partner as well as in the retention of an existing one. Furthermore, the factors involved in choosing a partner are of significance during all stages of the process of developing a relationship in as much as they are not only realised in the initial stage (awareness-stage, Dwyer et al, 1987; pre-contact-stage, Larson, 1992; pre-contractual stage, Jensen, 1998) but also in later stages in an existing exchange relationship. This means that decisions concerning a wider form of cooperation and other critical questions specific to a relationship must be reached repeatedly at certain times during a cooperative process. The critical factors involved in the choice of cooperative exchange partner for both purchasers and suppliers show that a substitutable and a complementary relationship exist between price/product related factors and factors linked to confidence/reliability, but this relationship will be restricted by the achievement of minimum thresholds which must be respected. The confidence-specific thresholds can, however, change during the course of a relationship depending on the degree of mutual involvement and incidents occurring during the relationship development process. A high level of perceived uncertainty and risk linked to dynamic and volatile input and output environments, caused by instability of the actual demand in the consumer markets and complex booking- or co-production processes, generally lead to increased importance of the confidence factors. Finally, in judging the results of this study, it should be stressed that the contextual conditions within the international travel industry reviewed are characterised by a predominantly small business culture, complexity, a high level of uncertainty surrounding decision making and the experience of risk attached to the existing market and production situation (Jensen, 1998; Jensen, 2001). The predominant behaviour among all actors within this industrial context was first of all the avoidance or minimising of risk when choosing an exchange partner. The opportunity of generalising the results to other contexts must be considered in light of the industrial characteristics as described above. So far as future research projects are concerned it could prove interesting to compare the current findings with those from other industries so as to form a wider picture of the factors given emphasis during the process of choosing an exchange partner.

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