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From attenuating awareness to attenuating action.

Saving business relationships under pressure

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Abstract

The aim of the paper is to construct a process model for business relationship restoration. We suggest a three-phase model in which the first phase includes an identification of the factors that attenuate relationship ending. The second phase stresses the importance of the attenuating factors present in a relationship. In the third phase the parties' ability to save the relationship (i.e. to perform attenuating action) is increased by balancing their perceptual differences concerning the reasons for ending the relationship. Based on a case relationship between two Norwegian industrial companies we explore restoring action in a real life context. As a result, we claim that awareness and a systematic analysis of the attenuating factors combined with a process for restoring action can save the relationship. [*]

Introduction and purpose of the study

This paper is about business relationships in trouble and how they can be saved. Although we acknowledge that some relationships are not worth restoring (see e.g. Tähtinen 2001) and even desired without trouble at all, there are ample suggestions that others are (see e.g. Turnbull, Ford & Cunningham 1996). First, relationship dissolution can cause severe economic loss (Halinen & Tähtinen 2002), either in terms of direct costs (e.g. legal costs) and/or in terms of more indirect costs such as switching costs, lost market opportunities, and reputation. Second, in small networks companies are dependent on a limited number of partners and the loss of an important relationship may not be easily replaced. Such situations occur e.g. in industries characterized by a high degree of uncertainty and technological specificity (Heide & Weiss 1995; Weiss & Heide 1993), as well as limited number of actors. Thus we argue that more knowledge on relationship restoration is needed (see also Ping 1999).

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Literature focusing on saving business relationships is scarce, as most of the research interest has dwelled on maintaining and developing business. The most important pre-condition to maintain a sustainable relationship is commitment (e.g. Hocutt 1998; Morgan & Hunt 1994; Rusbult & Farrel 1983). Thus, the suggested managerial action to avoid possible relationship dissolution is to strengthen the commitment - the stronger the relationship, the higher the switching costs impeding dissolution. However, if a relationship already has entered the ending process, it is too late to apply such strategies. If the general satisfaction in the relationship is low (i.e. weak actor bonds), the strategy called for to save or restore the relationship has to be different than a maintenance strategy. Although the relationship maintenance literature cannot offer solutions for relationship restoration, recent developments in relationship dissolution research (for a review see Tähtinen & Halinen 2002) provide a useful starting point for this research. Relationship dissolution models often present the restoration stage as a potential turning point in the process (e.g. Alajoutsijärvi, Möller & Tähtinen 2000; Giller & Matear 2000). Restoring actions can save the relationship and end its dissolution process for good or at least stall it.

It is worth to emphasise that there are at least two important reasons for reducing trouble in a relationship. Firstly, trouble can reduce the parties' willingness to further develop the relationship, and thus reduce the potential in the relationship, and secondly, trouble between the parties can easily lead to an ending of the relationship. From a practical point of view it is difficult to distinguish the need for improving the potential in a relationship from a situation where one of the parties wants to pull out from the same relationship. As a point of departure we will draw on a *relationship ending* model, but later apply a case in which the parties still have a way to go until ending the relationship.

Three groups of factors appear to impact on relationship ending; predisposing factors, precipitating events, and attenuating factors and events (Halinen & Tähtinen 2002). Whereas the first two promote and engender ending, the attenuating factors and events hinder it and its advancement. Hence the attenuating factors have an important role in managers' decisions to direct the process towards saving it (Halinen & Tähtinen 2002; Tähtinen 2001).

The attenuating factors and the way the awareness of these factors can be utilized to restore the relationship are thus the main focus of this paper. Further inspiration for this study is derived from the research on consumer switching process (e.g. Colgate & Lang 2001; Roos 1999; Stewart 1998), which e.g. has explored the barriers of exit.

Although a number of studies address barriers to exit both in business and consumer relationships, to our knowledge, none take the troubled and thus ending relationship as their point of departure. In other words, contemporary studies for the major part identify conditions and relational characteristics that reduce the risk of jeopardizing the "normal" state of relationship. This is a shortcoming, as the studies do not give insight into the ways of actively improving a relationship already on the brink of dissolution. As a metaphor, the "good intentions" and conditions discussed prior to entering a marriage might be irrelevant when trying to avoid a divorce. We try to fill the gap by suggesting a process model which can be applied as a tool when trying to save a business relationship during its dissolution process.

The ending process may be smooth and quick, which is the case if both parties agree that their relationship should end. In such situations, saving the relationship is not in their interests, nor in ours. Therefore, in this study, our interests concentrate on relationship endings where at least one party sees the relationship as worth saving, although it already has entered a dissolution phase. Moreover, we focus on such endings where interaction between the companies and managers has become somewhat tense, i.e. the parties are unable to sort out their differences and continue the relationship without attenuating actions.

The paper builds a model of business relationship restoration in stages. First, we proceed by providing a classification of attenuating factors. Second, we develop a procedure by which the classification can be applied to increase the awareness of the attenuating factors. We refer to this procedure as an analysis of the attenuating factors. Third, we present the last stage of the restoring process; an alignment of perceptual differences between the parties, which we illustrate by applying the process in a real life context. We conclude by discussing the implications of the suggested model.

Phase one: Identification of attenuating factors

Whereas relational marketing literature primarily focuses on how relationships can be strengthened to avoid them entering into an ending process, there is a growing body of literature dealing with relationship ending (e.g. Alajoutsijärvi, Möller & Tähtinen 2000; Giller

& Matear 2001; Halinen & Tähtinen 2002; Roos 1999). Within this evolving stream of research, two recent studies focus on attenuating factors. Halinen & Tähtinen (2002) concentrate on the attenuating factors within business relationship ending, and Jones, Mothersbaugh & Beatty (2002) within consumer relationship ending. Based on the abovementioned contributions, Table 1 presents our classification of attenuating factors, to be empirically grounded. Moreover, the table connects existing research on business relationships and consumer relationships, thereby providing examples of each of the five categories.

The first category, *lost relational investments*, is related to the focal relationship in trouble. If the relationship ceases to exist, the former partners lose the outcome of such investments (i.e. time, effort and expenses) that have already incurred while developing the relationship, although no cash is lost. In other words, they are sunken costs (Jones et al. 2002). This type of costs are also included in the model of Dwyer, Shurr & Oh (1987) where the dissolution stage is generally considered as a costly affair, since all preceding stages in the evolution of the relationship represent investments made by both parties.

Investments can be either on an individual level or company level. The loss also includes future relational benefits acquired from the relationship. Bonds between companies are such as trust and commitment, topics treated in a large body of research (e.g. Crutchfield 2001; Hocutt 1998; Moorman et al. 1992). Moreover, the overall satisfaction and relationship value derived from e.g. knowledge and technological bonds (e.g. Nielson 1996; Ping 1994; Withey & Cooper 1989) is lost if the relationship is discontinued. On an individual level, social and personal bonds (e.g. Roos 1999; Seabright et al. 1992) as well as the individuals' emotional attachment as members of a team (Tähtinen 2001) are examples of lost investments.

Table 1 Categorisation of attenuating factors

Group	**Motivation for restoring the relationship**	**Explanation**	**Literature**
Lost relational investments	Relational investments made in developing the bonds in the relationship will be lost	Lost value from relational bonds of trust and commitment	Crutchfield 2001; Hocutt 1998; Nielson 1996; Moorman, Zaltman & Deshpande 1992; Young & Denize, 1995.
		Lost value from social and personal bonds.	Roos 1999; Seabright, Levinthal & Fichman 1992; Tähtinen 2001
		Lost satisfaction from the relationship	Bansal & Taylor 1999; Ping 1994; Withey & Cooper 1989
		Lost value from knowledge bonds	Tähtinen 2001
		Lost value from technological bonds	Heide & Weiss 1995; Nielsen 1996
		Lost economic value	Gassenheimer, Houston & Davis 1998
Dissolution process costs	Handling of the ending process can be costly	Cost of e.g. lawyers, negotiating contract annulments, legal battles	Vaaland & Freeman 2002
	Effects on the company's internal functions	Discontinuity of production, new planning, re-organizing functions etc.	Vaaland 2002
Possible sanctions for future business	The partner and/or the network can impose sanctions	Network's social pressure	Felmlee, Sprecher & Bassin 1990
		Lost reputation	Alajoutsijärvi et al. 2000
		Lost referrals	Tähtinen 2001
Network limitations	No or only a few alternative partners in the network	Inability to replace a partner because of lack of available alternative partners.	Henke 1995; Ping 1993; Robbins, Speh & Mayer 1982; Sharma & Patterson 2000; Stewart 1998; Withey & Cooper 1989
Set-up costs	Costs and risks involved in developing a new relationship	The search costs of finding a new partner	Heide & John 1990; Weiss & Anderson 1992
		The cost of establishing and developing new actor bonds, resource ties and activity links New relational investments..	Dwyer, Schurr & Oh 1987; Gladstein 1984; Kelley & Davis 1994
		Increased uncertainty of the value of the new relationship (*we know what we have, not what we get*)	

The dissolution process costs form the second category of attenuating factors, which relates to the ending relationship. The time, effort and costs of negotiations involved in annulling contracts, of possible legal battles (Vaaland & Freeman 2002), and discontinuity of production are examples of dissolution process costs. Although existing research has not fully acknowledged this kind of costs as important attenuating factors, we argue that e.g. the fear of a costly legal battle may be an effective moderator for a possible disengager. This argument will be empirically grounded later on in this study.

The third category*, possible sanctions* for future business, is related both to the soon to be ex-partner and to the rest of the network actors. Possible sanctions include social pressure which can e.g. distort the use of references and trig a disappointed ex partner to spread a bad word-of-mouth in the network. Sanctions are not frequently discussed in relationship marketing literature. Exceptions are Felmlee et al (1990) and Alajoutsijärvi et al (2000) that both address the pressure of the network towards the parties. Network actors may even threat to apply economical sanctions against the partner if he ends a relationship that is important to the network.

The network limitations category is related to the network of actors in which the ending relationship is embedded. Network limitations address the lack of available alternative partners in the network (e.g. Ping 1993; Sharma & Patterson 2000; Stewart 1998). This lack can be real in small networks, where the sheer number of companies is low. It can also be a perceived lack, caused by weak substitutability (e.g. Stewart 1998; Withey & Cooper 1989) or low attractiveness of other potential partners. It is obvious that new partners may not posses the industry specific knowledge (Tähtinen 2001) that the present partner has acquired during the relationship. Therefore, if the ending of the relationship involves large, lost relational investments, it also increases the attenuating effect of both the perceived network limitations and the set-up costs.

Finally, the *set-up costs* are related to the new relationship(s) that replaces the dissolved one. This category includes the perceived search costs (i.e. time, effort and expense) involved in finding a new partner, as well as the costs of establishing a new relationship in terms of developing new actor bonds, resource ties and activity links (see Jones et al. 2002). For example, routines and procedures established for dealing with a specific supplier might have to be modified if a new relationship is established (e.g. Heide & John 1990). In a way, this category includes all the new investments that will be lost if the parties were to end their present relationship. Thus new partner-specific investments are needed to develop commitment (e.g. Gladstein 1984; Kelley & Davis 1994).

We have now applied existing literature to identify five categories of attenuating factors of relevance when trying to restore a business relationship. Next, we suggest a procedure for applying the attenuating factors as a tool for reducing the potentiality of relationship dissolution.

Phase two: Attenuating analysis

How can a relationship in a dissolution phase be restored by means of the existing attenuating factors in the relationship? First, the awareness and increased understanding of the attenuating factors should be enforced between buyer and seller. We suggest that this can be done through an *attenuating analysis*, which includes an internal analysis of the content and the importance of the attenuating factors aiming at increasing the awareness of the negative consequences of relational dissolution.

The *attenuating analysis* includes a detailed identification of content and consequences for the attenuating factors as seen in Figure 1. The analysis can have opposite effects on the attenuating factors; a strengthening and a weakening effect. By making an internal analysis of the attenuating factors the company becomes more aware of the value of the relationship, and more willing to accept diversity in company cultures and frequent episodes of conflict than before. The analysis may, on the other hand, also have an opposite effect. By increasing the awareness of alternative partners, the disengager company may realize that its partner is uncoupled from emerging technological trends and thus speed up the ending of the focal relationship. We argue that an attenuating analysis implies both an opportunity to restore the relationship as well as an enhanced risk of accelerated dissolution.

One or both of the parties conduct the attenuating analysis internally, based on its internal perceptions of the focal relationship, and the alternatives in the network. The sources can be based on e.g. external market information, records of the other party's past performances, trend analyses etc. This insight may lead to an improvement in the interaction with the partner, however, the other party obviously also plays a role in the efforts of restoring the relationship. This is particularly important when we assume that managers are intentional actors that face a "reality" constantly under construction through their interpretations of the surrounding business environment and their actions towards it.

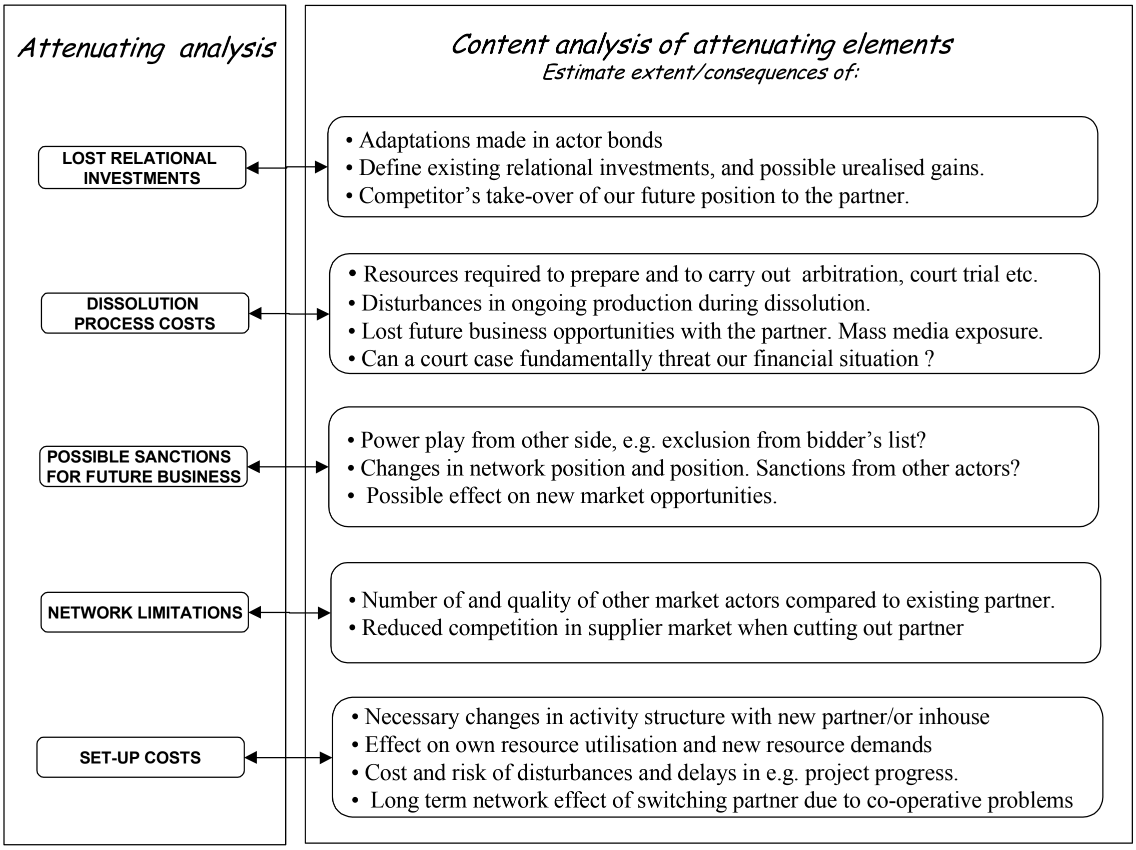

Figure 1. Attenuating analysis

Phase three: Attenuating action

In order to restore a relationship we thus infer that the awareness of what will be lost after a potential relationship ending has to be supplied with a dyadic process. No matter the awareness of one of the parties about the attenuating factors, the other party can still obstruct the restoration of the relationship. This leads us to the second part of the conceptual model where the parties learn to understand the other party's set of perceptions, and after that to reduce the tension. The process is referred to as restoring action.

Ending a relationship is often triggered by conflicts (e.g. Ping 1993) caused by a combination of predisposing factors and precipitating events (Halinen & Tähtinen 2002), which the managers perceive as reasons for ending the relationship. As a social phenomenon, neither the occurrence nor the outcome of the conflict is completely and rigidly determined by the objective circumstances (Deutsch 1973). Therefore the parties' perceptions of the conflict are crucial when it threatens the continuation of a relationship. It should, hence be addressed when trying to restore a relationship.

The purpose of restoring actions is to learn to reduce the tension in the relationship. Through the restoring actions the parties try to align their perceptions of critical issues in the relationship, here labelled as perceptual distance in the relationship. In other words, the restoration of the relationship is extended from a purely analytical exercise, i.e. attenuating analysis, to a process where both parties try to adjust their perceived reasons for the tension in the relationship. However, the purpose is not to solve the conflict events per se, but to learn to balance different perceptions of precipitating events. On the other hand, as a positive side effect some of the conflict events may also be solved which further improves the relationship. However, the parties might have to live with a certain number of unresolved conflict events which do not threaten the relationship. Figure 2 summarizes the stages of the process.

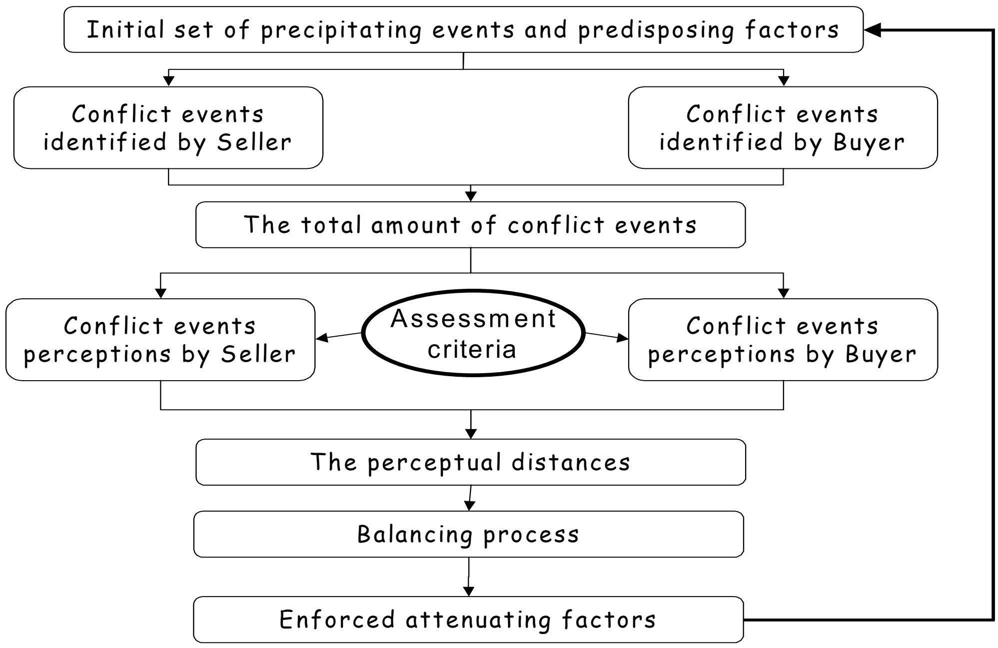

Figure 2. Attenuating action

A number of precipitating events causing the conflict exist within the weary relationship. Some of these are manifested and openly communicated, others are latent and hidden from managerial intervention. This leads us to the first step in the model, which includes an *identification of conflicts* based on both parties' perceptions of the events. Some events are suggested solely by one side, whereas others are suggested by both sides. The events can either be identified by the company or by a third party through unobtrusive data sources (e.g. archives) or by obtrusive sources such as interviews. Conflict has to be operationalised, and we suggest conflict events, which assume that conflict is built up over a sequence of interdependent episodes (Pondy 1967). In these episodes we find perhaps the most interesting aspect of relational threats, the latent conflict that nobody really labels and treats like a conflict, but which still represents a "wear and tear" in the relationship.

The assessment requires a set of *assessment criteria*, which should address core issues related to the event's effect on the relationship. Two issues are of particular importance; the perceived sources of the conflict event, and the perceived importance of the event. The sources of conflict can be operationalised to the question of whether the event is associated with formal (e.g. lack of routines, plans, contractual details, specifications) or informal governance mechanisms (e.g. flexibility, ability to handle the unforeseen, trust) (see Vaaland, 2002a for further).

In the third and fourth stage, *event perceptions* and *perceptual distance* both parties separately assess the total amount of conflict events in relation to the agreed assessment criteria. Both parties thus have to accept that some of the events claimed by the other party might sound unfair or based on misunderstandings in own eyes. Hence an event suggested by one party is just as "good" as an event claimed by the other side. The parties' perceptions of the total amount of conflict events are complied and structured to reveal the level of perceptual distances. The level of distances of each issue can vary from nil to numerous depending on the tension in the relationship, and the ability to reveal the most critical issues in the relationship.

The final stage of the model is the *balancing process*. The aim of the balancing process is to reveal why and where perceptual distances exist, and try to reduce the distance either by removing the conflict events per se by e.g. clearing out misunderstandings, or by removing the uncertainty about the extent and effect of an event. In both situations conflict "hidden" in the relationship is disclosed and brought into mutual interpretation, which further reduces the risk of having conflict events threatening the relationship.

Application of phase 3: attenuating action.

Case selection and methodology

The study was based on a single case. Such procedure is generally preferred when the case represents a *critical case* in testing a theory, when the case is *extreme* or *unique*, and when the case is considered *revelatory* (Yin 1994). According to our perception of the case material all three criteria seemed to be fulfilled. The case was *critical* and comprehensive enough to confirm, challenge or extend relevant theory. The case was *extreme* in terms of technological complexity and financial implications, and was *revelatory* in that it provided detailed and comprehensive information about the relationship. We followed an embedded design based on my ability to split the case into sub-units for extensive analysis (Yin 1994). Primary data sources were applied.

The relationship applied for analysis can hardly be characterised as one at the ending stage, rather a troubled relationship with a risk of further development into an ending as final outcome. The case is a land-based 5-year building project involving the development and delivery of electromechanical systems at the plant located in Norway. The client, and customer, is a Norwegian based multinational company, referred to as "*Buyer"*. The project goal is to extend the capacity of the plant, which is owned and operated by *buyer*. The company has recently introduced a key supplier management program for developing a tight relationship with key suppliers, among them a multinational company referred to as *"seller"*. The s*eller*, a Norwegian based part of the multinational enterprise, engages in business within a variety of areas including heavy electro and power systems, which represent the main deliveries to the project. The project relationship between the two parties started at the planning stage of the plant, and is scheduled to last until project completion in 2005.

One year after project start, in spring 2002, the first author was hired to carry out an analysis of the relationship between the *seller's* and the *buyer's* project teams with the view of trying to improve the ongoing relationship. Both parties financed the analysis, which was based on the assumption that they would jointly benefit from an improved business relationship. Secondly, it was assumed that the analysis would secure the equal position of the parties, thus improving the reliability of the analytical process. The process started with both sides collecting events, which they later assessed. Following statistical treatment and development of perception profiles a workshop, presenting and discussing the results of the analysis, concluded the process. Below we discuss the process and methodological challenges with basis in the suggested model.

Application of the model

The initial relationship can be broadly characterised as tense, with several unsolved but not threatening conflict events. In other words, the relationship was not yet in an "ending stage". At this stage the relationship was not "hostile" but tense after a project start-up phase including improvisations made under strong time and cost pressures. Collaboration was moderate with a potential for developing the communication beyond the level of "adverse and traditional" buyer-seller roles. It was an ideal starting point for an application of the model.

The conflict events

The terms "conflict event" was relabelled to "*episodes we preferably should have been without*" to be able to grasp *latent conflict*. The reason for doing this was to identify more events than the popular use of the term "conflict" would have done. In cases such as this it is advisable to remain sensitive to the parties' fear of claiming conflict in an ongoing business relationship.

The process involved three groups of informants, all involved in the project as managers and experts. Each group included 3 or 4 participants. First the *seller* side expressed and nominated events, and a third person (i.e. the researcher) sharpened and formulated the events to enforce the underlying dimension in the events. When someone sharpens and reduces complex problems into a brief statement there is always a risk that new conflict may develop. To avoid this it was emphasised that the third person (i.e. the "scapegoat") had formulated the events. Approximately 30 events were suggested fairly evenly divided between the two main parties.

Three challenges occurred during the identification of the events. Firstly, it was difficult to fully separate events from the chain of events. Whereas some events were embedded in other events, others addressed the same underlying problem identified at different stages of the project. Secondly, the event formulation had to be carefully phrased to secure the understanding of the other party, and to avoid unnecessary provocation and further escalation. Thirdly, an event is always an indicator of an underlying phenomenon. In the interaction with the parties the phenomenon was not always easy to understand. Producing a clear formulation was even more difficult.

The identification process started with *seller*, who nominated the first events. These were presented to the *buyer* groups, who acknowledged the events (although they expressed doubt about the "reality" of some), and supplied new events. Even at this stage some value was added to the relationship in terms of disclosing possible "hidden bombs" with a potential of causing trouble for the other party. The final list of events comprised a total of 30 events. Some of the events were acknowledged by both parties, whereas the reality and relevance of other events were contested by either one of the parties.

The assessment criteria

The assessment criteria followed Vaaland & Håkansson's (2003) classification, which includes the perceived importance of the event, and the event's perceived association with formal versus informal governance mechanisms. The latter implies that the sources of the event are due to lack of formalised and predetermined patterns of behaviour (e.g. contract, specifications or procedures), or informal mechanisms such as an ability to handle the unforeseen and run the risk of "bending rigid rules" if necessary. The criteria were measured in a five-point scale, with value 1 as pure informal governance and value 5 as pure formal governance, and with importance ranging from 1 (lowest importance) to 5 (highest importance).

Even perceptions and perceptual distance

The main challenge was to assess the importance of the events. Whereas an event can be perceived as being of great importance in a short time perspective, the same event may be seen as an insignificant problem in the long run, and vice versa. So what time perspective should be applied when assessing importance? Furthermore; is a high recurrence event more important than a rare but an intense event? It was left to the parties to interpret the issue, with the view of discussing it in the final phase of the study. Nevertheless the criteria would benefit from more precise operational definitions. The perceptions were loaded in a statistical package (SPSS). Perceptual distances were calculated, and displayed along three dimensions (i.e. actor bonds, resource ties and activity links). The two perceptual variables, importance and sources of conflict were plotted into a grid as illustrated below.

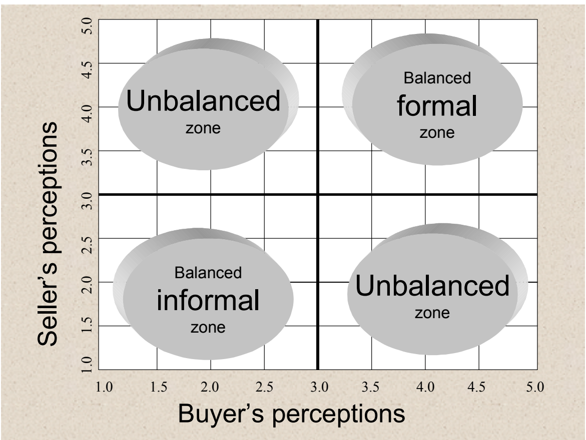

Figure 3a Governance grid

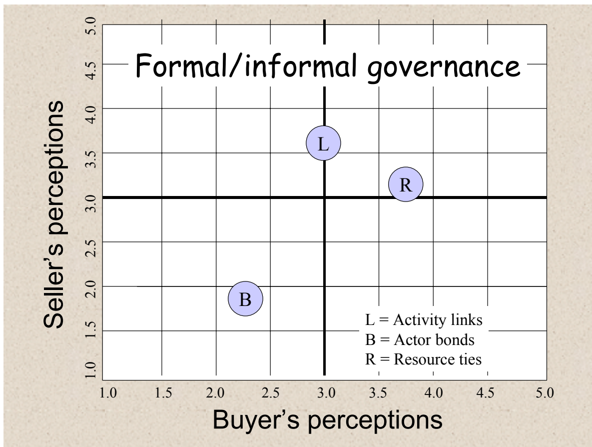

Figure 3b Plots in governance grid

Figure 3a indicates four zones; two balanced zones where the perceptual distance is low with respect to the fundamental sources of the conflict events, and two unbalanced zones with a significant perceptual distance. In figure 3b we see balanced perceptions, but with varying degree of formal versus informal sources. Events classified as actor bonds are to a greater degree caused by lack of informal governance mechanisms than events related to activity links between the two companies.

<u>The balancing process</u>

The perceptual distances were presented to the parties in a two-day workshop set up to discuss the reasons for the distances that had been identified, and to smooth out perceptual disagreements. The third person acted as a buffer against provocations and as a catalyst when the parties' positions were locked. The parties reconfirmed the distances and then discussed them in detail to find the basic underlying dimensions to the events. The discussion thus opened up for a debate that went beyond the event itself, and which had the effect of opening up the eyes of the other party to the adversary's perception of previous actions or lack of action. Each party got an understanding of why the other party had put a specific event on the list of relational "threats" (i.e. conflict events). It also gave an indication of the significance of the event as seen by the other party, and the underlying reasons for the emergence of events.

The balancing process comprised various answers to the *why, how* and *what* question related to the events. Firstly, the focal party could acknowledge *why* the other party found the particular event "unnecessary", thus reducing the potential for further escalation of the event.

This was an exercise in perceptual understanding, which easily might be distorted by assumptions about "the real fact". Misunderstandings and events of low substance can be detected and sorted out. The why question can also lead to a more fundamental discussion about e.g. poor utilisation of joint resources and ineffective activity links. In any case the list is useful in order to avoid later surprises and further escalation.

Secondly, the perception of the events varied along the two dimensions, importance and sources. The question of *how* important the events are to the parties can be illustrated by the following. Whereas *seller* rated *"lack of rapid response from buyer on technical questions arising on the site during seller's work"* to be of high importance, *buyer* considered it as an issue of low importance in the broad picture. Other issues were considered equally important by both actors, e.g. that "*Seller sometimes did not fully grasp the role of the system supplier, acting like a regular, independent supplier*". In some cases the other party may easily resolve an undesired, high importance event. In other cases both parties can at least jointly search for alternatives to reduce the importance by splitting the problem and solve parts of it. The balancing process opens for such an approach.

Thirdly, with respect to the underlying sources of the events, the parties looked quite differently upon the *lack of system supplier consciousness* referred to above. *Seller* claimed that it was caused by a lack of informal interaction, whereas *buyer* considered it to be a structural problem, which could easily be solved by more specific contracts and better planning. This implies that fundamental questions as to how the relationship can be further developed are addressed by means of quite explicit "real life" examples.

An effect of the balancing process was to enhance the climate between buyer and seller. The climate clearly indicated a more open and trust based form of communication, and a stronger mutuality than before. This change in the relational atmosphere was easy to see; the parties made concessions to each other over the table on issues that had remained unsolved for some time, and without experiencing a bargaining situation. One reason for the change of attitude can be that the balancing process had primarily focused on understanding the perceptual distances, not resolving conflict events. Hence the pressure for resolving disputed issues was simply not there.

Regardless of the parties' extent of agreement in their perceptions of why, how and what, the most significant threat to the relationship, the element of surprise was reduced. Even more important, the risk of further slide and escalation of conflict events into a legal dispute was significantly reduced.

Business relationship restoration model

The relationship restoration process thus includes three stages; firstly the parties need to identify attenuating factors as the reasons for continuing the troubled relationship, and secondly they analyse the importance of the attenuating factors. At this point, of course, the managers reach a conclusion concerning their continuation of the relationship, whether it is worth saving or not. If it is considered worth saving, the partners engage in open discussion about their perceptions of the reasons for ending the relationship and ways to balance their perceptual distance and start restoring actions. Thus combining the starting situation with the three stages and the end result of the process, we picture the business relationship restoration process in Figure 3.

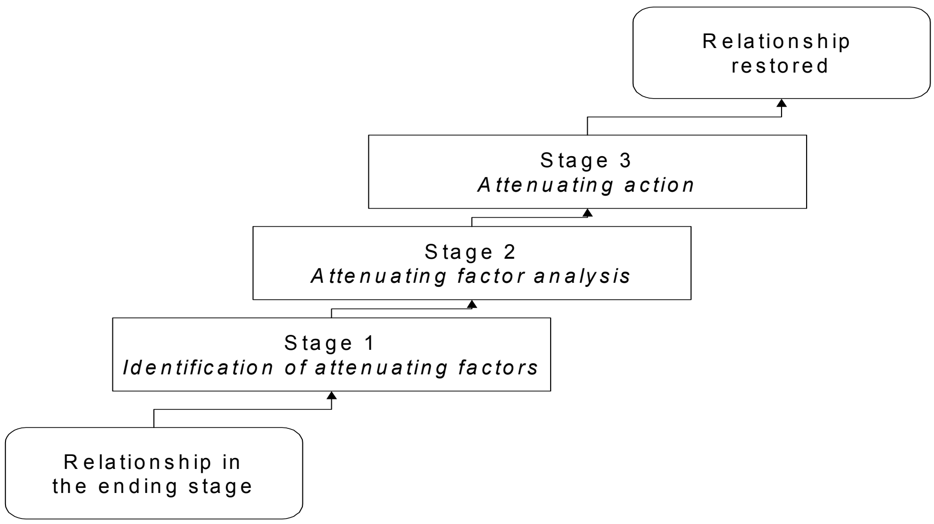

Figure 3. Relationship Restoration Model

Although the partners make the process, we suggest that the best results will be achieved if the partners engage an outsider to assess them as they travel through the restoration process. The rationale for bringing in a third party to resolve the situation and start the restoration process is illustrated in the following quote from a supplier, *"there is sometimes an* *underlying acceptance from both parties that a disputed issue, which puts the relationship on the brink of termination, does belong in court. In such cases there is no real risk of jeopardizing the relationship".* The third party will be the one settling the argument and the partners can concentrate on continuing their relationship in spite of the conflict that would otherwise put the relationship's future into danger.

Discussion and implications

The aim of this study was to construct a process model of business relationship restoration. The model consists of three stages; the identification of attenuating factors, the attenuating analysis and the attenuating actions. Before presenting the stages, this study suggests a categorization of attenuating factors, resulting in five categories; lost relational investments, dissolution process costs, possible sanction for future business, network limitations, and set-up costs. The attenuating factors may be related to the focal relationship, to the network where the relationship is embedded as well as to the new replacing relationship.

We propose that by analysing the extent and importance of attenuating factors, the partners in a troubled relationship will become more aware of the reasons for continuing the relationship. Moreover, this awareness increases the parties' willingness to engage themselves in attenuating actions, thus trying to save the relationship from dissolution. The procedure was recently successfully applied on a tense relationship between two industrial companies in Norway (Vaaland 2003). Apart from using the suggested process in restoring business relationships in trouble (i.e. correcting something that has gone wrong), the same strategy may be applied as a powerful maintenance strategy, thus preventing the relationship from entering a dissolution phase. From research on personal relationships, we know that dialectical tensions are an inherent part of every relationship and thus that there are instability and constant change in relationships (Montgomery 1993). We argue that the same applies in business relationships which always include relationships between individual managers. Therefore the partners have to be prepared for managing the change as well as the stability in the relationship.

The key in managing this dilemma seems to be to treat the tensions or conflicts not as negative elements, but as the very basic elements of relationship development and continuance (see also Montgomery 1993). This can be done by frequent use of proactive and constructive maintenance strategies (see e.g. Guerrerro, Eloy & Wabnik 1993), including open communication between the business partners. The suggested relationship restoration model highlights the importance of open communication in order to stop the ending process. Otherwise it is difficult for the parties to commit themselves to continuing the relationship.

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