

THE EFFECT OF BONDS ON RELATIONSHIP TERMINATION

Cases from the Truck Producing Industry

Competitive paper

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ABSTRACT

The relationship between suppliers and industrial customers has changed so that at present stable relationships between suppliers and customers is a prerequisite for a good business climate. Demand for lower prices and an increase in profits, shorter product cycles and global competition are some of the forces affecting suppliers and customers in the industrial market to have stronger relationships (Holmlund & Kock 1995). For instance in the truck producing industry the companies have begun to decrease the number of suppliers and have instead started more intense cooperation with the remaining suppliers. As a result the bonds between companies has become more important since bonds are part of the components in the cooperation that effect the stability. Bonds affect termination of relationships because they often prevent termination of relationships even if the partners are dissatisfied with the cooperation. (Storbacka, Strandvik & Grönroos 1994, Liljander & Strandvik 1995). It can therefore sometimes be the bonds and not the satisfaction that keep the customer in a relationship.

The reasons for relationship termination between a supplier and a customer can be due to several reasons. One reason could be that the competitors offer a superior alternative to the product supplied by the current supplier. Another reason could be that the supplier does not keep up in the technical development. That could be the case in the truck producing industry if a supplier of springs becomes technically obsolete due to the increased usage of air-

suspension that would make springs obsolete (Wendelin 1998b). A third reason for relationship termination could be that the environment on the market could change due to for instance some directive from the EU regarding manufacture of products that would affect the supplier's competitive power negatively.

Changes in the business relationship can also affect relationship termination. The cooperating companies can affect these changes. These changes are for instance technical shortcomings, critical incidents, security problems and risk, human related issues, changes in price, environmental issues, factory or supplier moves or that better alternatives emerge on the market.

The author is also building up a framework regarding how bonds develop and fade away during the lifetime of the industrial relationship.

The findings are based on six case studies between a supplier of suspension components to the truck producing industry and six truck producing customers of whom three are regarded to be major players in the business. Interviews with people from logistics, quality assurance, product development, sales, buyers and other people involved in the cooperation between the companies.

Bonds

There are different kinds of bonds in theory. In the first IMP (International Marketing and Purchasing Group) affiliated papers there were only two bonds present (Håkansson 1982). Later the number of bonds was raised to five (Hammarkvist, Håkansson, & Mattson 1982). Some years later in 1987 there were six of them (Johanson & Mattsson 1987). These six bonds do however not give a picture that would cover industrial relationships completely. Additional bonds have been recognized in the past years in service marketing. Bonds such as cultural, ideological, geographical and psychological bonds has been added to the technical, time, knowledge, social, legal, and economic bonds. (Liljander & Strandvik 1995) By combining the bonds that the IMP group has found with those from the service marketing perspective a more complete model have been found. Geographical, cultural, ideological and psychological bonds are also important from an industrial perspective. (Wendelin 2000a) (Wendelin 2000b)

Bonds tend to have different names depending on the author. Bonds can be named as such or ties and links. It is however a unitary phenomenon.

In this paper I will discuss a dynamic perspective of bonds.

A Dynamic perspective of bonds

From a dynamic perspective the lifecycle of bonds in the relationship is viewed, that is when the bonds in a relationship develop and vanish over time.

Technical bonds

Technical bonds see e.g. Hammarkvist, Håkansson, Mattson (1982), Johanson & Mattsson (1987), Easton (1989), (Kock 1991) and Erbismann, Kock & Strandvik (1998). The technical bonds start to develop in the early levels of cooperation even before a relationship has developed. Already before a supplier is chosen, the customer sends out drawings of how the part should be manufactured to the suppliers and asks for their opinion on the issue. The supplier then comes back with suggestions on how the part could be improved in order to be a better product and in order to fit better into the supplier's production process. (Wendelin 1998a) At this stage the technical bond has already started to develop. If the supplier then gets chosen then the supplier strive to fit the product into its own production process as good as possible so that the product should be as efficient to manufacture as possible. Under the development of the relation between supplier and customer the supplier tries to improve the product at all time thereby keeping up in the fierce competition with all the other potential suppliers that could come to replace it. By having a technically superior product compared to the competition like for instance manufacturing a light tubular stabilizer vis-à-vis a regular full stabilizer of the competitor that weighs approximately 20 kg more would effect the strength of the bond in a positive manner. In the truck producing industry this is one of the more fragile bonds since there are lots of suppliers manufacturing almost similar products and if the technical bond becomes weak or brakes then the risk is big that the whole relationship will end. (Wendelin 1998a)

Sometimes the product becomes obsolete and then the bond will break and the relationship between the companies will end. This could for instance be the fact regarding springs when more and more trucks start using air suspension and the use of springs decreases heavily. If a

supplier has focused all of its production on manufacturing springs and not on manufacturing other suspension products like for instance stabilizers then the whole company could become obsolete on the market and have to file for bankruptcy. (Wendelin 1998b)

Time bonds

Time bonds see e.g. Johanson & Mattsson (1987), Kock (1995), Holmlund & Kock (1995) and Wendelin (1998a). Time bonds are usually almost nonexistent in the beginning of the cooperation. EDI cooperation does not exist between the two companies but is usually set up quickly in order to cope with the daily business. Some problems may develop with the compatibility of different EDI systems that for instance are used for delivery information (that is how many of the products that are required in the customers production and what day the products should arrive). The problem is that there are many different standards. In Scandinavia we use the ODETTE standard while the EDIFACT standard is used in Great Britain and VDA in Germany. Usually the supplier must invest in different systems so that he can be compatible with all of the customers. Over time the time bonds grow stronger when the supplier and customer start to exchange information daily and run information on the same systems. (Wendelin 1998a) (Wendelin 1998b)

Sheth and Sharma (1997) finds that linkages such as for instance EDI will reduce both the suppliers and buyers costs and dramatically shorten cycle times. The reduction of suppliers and buyers costs will also affect the economic bonds in a positive manner.

By decreasing the lead-time of the products the supplier can deliver products to the customer on shorter notification and that also strengthens the time bond between the companies.

The delivery of products is not the only thing that play an importance to the customer but it is also important for the supplier and customer to be able to exchange information regarding technical development such as CAD (computer aided design) drawings, etc. on-line. By setting up links for this purpose the time bonds usually strengthen. (Wendelin 1998a) The same topics are followed when it comes to CAM (computer aided manufacturing) as Han, Wilson and Dant (1993) points out

If the lead-times in the production increase then the cooperation could be poorer and the bond could weaken or break. Even though the bond has been broken due to relationship termination

the EDI links will remain and can be used in contacts with other suppliers/customers and may be used again the next time cooperation start.

Knowledge bonds

Knowledge bonds see e.g. Kock (1991), Proenca & Castro (1997) and Nonaka (1994). Knowledge bonds can be latent that is to say they can be present before the supplier is contacted for cooperation. In the case with a company supplying the truck producing industry it can be argued that that supplier has knowledge regarding the truck producing industry and has therefore an advantage over a supplier that has never supplied the truck producing industry before.

If the supplying company is delivering to five other customers in the truck producing industry it is easier to start delivering products to a sixth customer compared to a potential supplier that has never supplied the truck producing industry before. The supplier has an understanding for the truck producing industry since they have been delivering to the industry before. The company has latent knowledge bonds regarding for instance how to handle administration, problems, etc. in the truck producing industry.

Knowledge bonds usually start to develop in the absolute beginning of the relationship. Usually the supplier is invited to take part in the development of the product at an early stage of the production. Then the customer get to know what the supplier is able to do in the relationship and the supplier get to know the requirements that the customer has. (Wendelin 1998a) (Wendelin 1998b) The knowledge bond usually strengthens over time when the two cooperating companies learn more and more about each other. The learning curve is positive. When the relationship is terminated then the knowledge bond weaken over time.

Social bonds

Social bonds see e.g. Simmel (1906), Small (1915), McCall (1970), Granovetter (1973), Håkansson (1982) and Wilson & Mummalaneni (1986) There may be latent social bonds between the customer and the supplier before the cooperation starts. (Järvinen 1997). Social bonds are usually weak or nonexistent when the cooperation starts. These bonds develop over time when people in the companies start to know each other during the cooperation. People that interact with each other often for instance from the selling/buying sides in the company and from logistics, product development and quality assurance tend to have the strongest bonds to each other. (Wendelin 1998a) (Wendelin 1998b) By conducting business together

and learning to know each other also in the spare time. Through for instance “wining and dining” these bonds grow stronger.

The social bonds weaken when people with good social contacts move to another company sometimes taking the customer with them which could lead to that the relationship ends and leads to that all the other bonds with the customer/supplier end. Before a relationship end the social bonds between key persons may be inflamed since some negative critical incident have sometimes taken place with some persons putting the blame on other persons trying to avoid to be blamed themselves (Wendelin 1998b).

After the relationship between two companies has ended the social bonds may however still be intact with people from the two organizations still keeping in touch. This may particularly be the case on the buying and selling departments from the two companies. Due to this social bonds between the buying and the supplying company the companies might continue to do business in the future with for instance a new model series of trucks.

Legal bonds

For legal bonds see e.g. Palmer, Friedland & Singh (1986) and Johanson & Mattsson (1987). Legal bonds do fluctuate in stability during the life span of the relationship. The legal bonds are usually renewed on a yearly basis and sometimes on times on up till three years. The legal agreements usually however have clause's that allow the contract to be renegotiated if the price on raw material on the world market, etc. should change. The legal bonds may grow stronger if there are requirements for quality standards as for instance ISO 9001 or QS 9000 that the company can fulfill. The legal bonds are usually quite weak and cannot stop a relationship from ending if for instance the technical quality of the product is poor. (Wendelin 1998a) (Wendelin 1998b)

Economic bonds

For economic bonds see e.g. Johanson & Mattsson (1987) and Kock (1991). Economic bonds are of a quite unstable nature. For some customers the price on the product is of high importance and if there is a supplier that can supply the product to a lower price taken in to consideration that the products on the market are of a homogenous nature then the bond will break (Wendelin 1998a). The economic bonds may grow stronger during the relationship due to that the cooperation increases and the supplier sells more and more of its products to one

single buyer. By selling larger quantities to one single customer the supplier usually gives a lower price to the customer and both parties prosper. This is for instance the case when more and more of the major truck producers have striven to decrease its number of suppliers in the past years and started to have single source suppliers. Better terms of payment like for instance 90 days net instead of 30 days also affect the economic bonds in a positive way.

The bond can break easily if the supplier raises the prices or if the customer find a supplier with much lower prices, given that the products are homogenous.

Geographical bonds

For geographical bonds see e.g. Lincoln, Gerlach & Takahashi (1992), Liljander and Strandvik (1995) and Wendelin (2000a). Geographical bonds have to do with how suitably located the supplier is from a customer point of view. The view of how suitably located the supplier is can vary over time in the relationship. Depending on the industry the location of the supplier is of different importance. How valuable the products are and how much they weigh plays a part of the importance. In the truck producing industry the location of the supplier used to play a bigger importance than it does today. With more and more producers using terms as “single global source” and “single European source” the importance of how far away the supplier is situated play a smaller importance. In the beginning of the relationship the customer look at issues as the supplier lead-time, geographical distance, costs for transportation of the goods, etc. (Wendelin 1998a) (Wendelin 1998b)

When the relationship develop and the geographical bond grows stronger then it is usually due to a improvement in lead times in the suppliers production for instance by reducing the lead-time from 22 days to 7 days or from improved modes of transportation. (Wendelin 1998)

If a supplier get problems in the production process as for instance longer lead times or if the transport prices increases heavily then the geographical bond usually becomes weaker and thus effect the relationship negatively or breaks.

Cultural bonds

For cultural bonds see e.g. Liljander & Strandvik (1995) and Wendelin (2000a). Cultural bonds are usually stable in the relationship. The language spoken, the religion or other cultural factors such as which country the supplier is situated in are not easily changed. The

cultural bonds are latent that means that they exist before the relationship starts and people have understanding for certain cultures, languages or religions or are biased against them.

Cultural bonds can develop during the relationship. Cultural bonds can increase or decrease in strength as the people in the organizations learn to speak the other language, etc. and when bias disappears. The bias may on the other hand strengthen when people get problems in the cooperation. The cultural bonds usually stay unchanged since cooperation does not usually start with people from cultures the company is biased towards (Wendelin 1998a)

Ideological bonds

For ideological bonds see e.g. Liljander & Strandvik (1995) and Wendelin (2000a). Regarding ideological bonds there are two different ways to look at the development of ideological bonds in the relationship. There are two kinds of ideological bonds, *stable* and *dynamic* ideological bonds.

Stable ideological bonds

Ideological bonds that does not increase or decrease in strength during the life span of the relationship can be perceived as stable ideological bonds. Such bonds are for instance the will to have business with a certain firm because of the nationality of the firm. Some truck producers may have a wish to buy from as many domestic suppliers as possible to be able to sell their truck as a truck with a high domestic content. The patriotism usually stays the same during the life span of the relationship.

Dynamic ideological bonds

Dynamic ideological bonds in relationships usually develop over time all after the requests for environmental awareness grows stronger. Ten years ago there was no demand for water-based paint, low emissions, environmental audits like ISO 14001, etc. in the auto industry. The ideological bonds in that respect was at that time nonexistent. In later years the importance of environmental aspects has grown stronger due to legislation and the demand that customers have. The situation in the truck producing industry is that the environmental awareness is still low but is forecasted according to major players to have a bigger importance in the future (Wendelin 1998a) (Wendelin 1998b) (Wendelin 2000b).

During the relationship lifecycle the ideological bonds grows stronger when the supplier strive to improve its environmental awareness. This by for instance manufacturing products that are recyclable to a higher grade, using non toxic paints and striving for the ISO 14001 audit by taking care of limiting the waste it produces, etc.

At the end of the relationship lifecycle when the relationship ends and most of the bonds are broken then the ideological bonds also disappear.

Psychological bonds

For psychological bonds see e.g. Liljander & Strandvik (1995), (Storbacka, Strandvik & Grönroos 1994) and Wendelin (2000a). Psychological bonds usually stay the same during the whole relationship lifecycle. Psychological bonds can for instance be that someone prefers buying a piston made in Germany instead of one made in Japan. Psychological bonds are usually very weak or very strong they are seldom of medium strength. Individual perceptions of different issues like for instance brand or quality can be difficult to alter. Also in cases where there have been misfortune with for instance the quality of a product a person that favors that certain brand on the product is more likely to continue buying that brand in the future. The same person may be biased toward another brand of stabilizer even if this brand could be a much better stabilizer. The bias could have to do with brand or country of origin.

Bond stability

Bond stability is marked with ++ for stable bonds, + for bonds of medium stability and 0 for unstable/fragile bonds.

Table 1: Stability of bonds in industrial relationships in the truck producing industry.

Bonds between companies in a dyad	Bond stability
Technical	0
Time	+
Knowledge	+
Social	+
Legal	+
Economic	0
Geographical	+
Cultural	++
Ideological	+
Psychological	++

The author defines stability of bonds with bonds tendency to increase or decrease in strength during the relationship. The fact that a bond is stable does not mean that the bond is stable in a positive way. Stability in this sense could well mean that the particular bond is extremely weak and continues to be so.

Unstable or fragile bonds like for instance technical and economic bonds are bonds that are the most likely to affect relationship termination if that occurs.

These different bonds bond tie the customer to the supplier and make it more difficult for the cooperating companies to terminate the relationship and break the existing bonds. This is among other things due to the fact that it would be expensive to build up new relationships with other suppliers or customers. The money and time invested in the relationship would also be lost.

Bond management

Bond management is when you actively manage the bonds between the cooperating firms in order to strengthen or weaken the cooperation. If for instance the buyer or supplier is trying to

phase out the cooperation and terminate the relationship managing the bonds in such a manner could do that the relation is terminated. By for instance raising the prices a supplier could aim to terminate the relationship with the buyer and vice versa by paying lower prices for the product in the buyers case.

It can also be the case that only one department wants to terminate the relationship while the supplier/buyer while other departments want to continue the cooperation. See for instance figure 1.

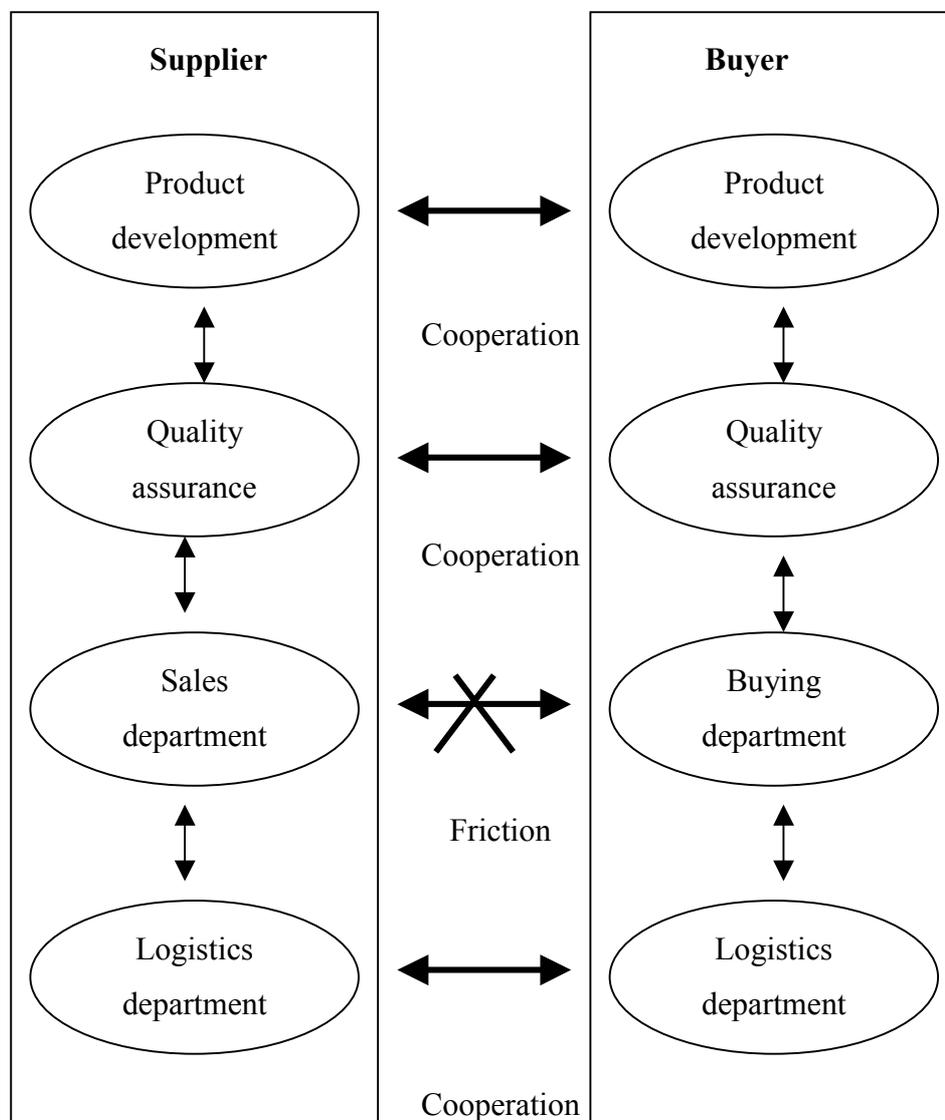


Figure 1: Example of a source of relationship termination

There may be friction in the cooperation between the buying department at the buyers company and between the sales department at the suppliers company. This may be due to that the prices for the supplier's products are perceived as too high or that the supplier perceives the prices as he gets for the products as too low. The cooperation between the same departments in the cooperating firms that is to say cooperation between buyers buying department and suppliers sales department, logistics, etc. is usually stronger than between the different departments in the same company, especially in large corporations. In a large corporation there is usually close cooperation between the buying and logistics departments. Quality assurance takes contact with the buying department as soon as there is some problems with the quality on the products and the buying department usually takes contact with the suppliers sales department to set things straight. Departments such as logistics and product development seldom have contact with each other in large corporations. Quality assurance as a department may exist only in one place in the corporation and it may be located thousands of kilometers from where the buying department is.

In cases like this it is certain that one department may find the cooperation to be on a different level than another department. The quality assurance department on the buyer's side may be very satisfied with the cooperation with the supplier and the supplier's response to problems. The product development departments may be very satisfied with the cooperation and the products may be of high quality but the buyers may perceive the price as too high and try to terminate the relationship.

Only one department may want to terminate the cooperation even though the other departments want to continue cooperating.

By using bond management it is possible to strategically strengthen or weaken the bonds between the cooperating companies in order to strengthen the cooperation and tie the customer or supplier to the company or to terminate the relationship. Bonds could for instance be weakened by increasing the product prices regarding economic bonds from the supplier's side or by lowering the prices from the buyer's side. Launching patented concepts like for instance Benditec® (a tubular stabilizer for trucks) that gives the customer advantages at the same time, as it is a new idea could strengthen technical bonds between the companies.

Relationship termination

“All dyads eventually become broken dyads” (Becker & Useem 1942).

Relationship termination can be defined as “the permanent dismemberment of an existing relationship”. (Duck 1982)

Relationship termination can be defined as terminated when “all activity links are broken and no resource ties or actor bonds exist between the companies” (Tähtinen & Halinen-Kaila 1997)

Another definition of relationship termination by (Tähtinen & Halinen-Kaila 1997) is “If at a certain point in time, a relationship can be considered to have ended and the parties have no mutual expectation of its future reactivation, the relationship is dissolved”.

I do not agree fully with the above definitions on relationship termination. Ducks 1982 definition concerns relations in a marriage and the breaking of that marriage, that is a divorce. Companies do however not function as marriages even though there might be some resemblance that Halinen-Kaila and Tähtinen (1997) has noticed. There is bigger possibility of companies doing business together again for two companies than for two divorcees getting together again. There may also still exist residual bonds between companies even if the cooperation has ended, bonds such as knowledge and social bonds may still exist and may be reactivated if cooperation starts again at a later time. The later definition by Halinen-Kaila & Tähtinen 1997 is better.

There may also be partial termination of a relationship. The buyer may terminate only a part of the relationship. Some products as for instance springs may be terminated from the buyer’s list of supplies supplied by a certain supplier while the buyer still might continue to buy stabilizers from the same supplier. It may however mean much for the supplier, which may lose a buyer for 20% of its production for instance. The personnel selling springs does not have any contact with the buyers of springs any more, there is no economic bonds for springs any more, the knowledge bonds regarding springs starts to deteriorate since the supplier does not develop springs together with the buyer any more.

At the same time the relationship regarding stabilizers is however continuing as usual. There are development of stabilizers taking place increasing the technical and knowledge bonds regarding stabilizers etc.

The reasons for relationship termination between a supplier and a customer can be due to many reasons. One reason could be that the competitors offer a superior alternative to the product supplied by the current supplier. Another reason could be that the supplier does not keep up in the technical development. That could be the case in the truck producing industry if a supplier of springs becomes technically obsolete due to the increased usage of air-suspension that would make springs obsolete (Wendelin 1998b). A third reason for relationship termination could be that the environment on the market could change due to for instance some directive from the EU regarding manufacture of products that would affect the supplier's competitive power negatively. It could also have to do with environmental aspects as for instance ISO 14001 audits, etc.

By for instance checking critical incidents between companies that no longer cooperate it could be possible to find out how strong the bonds between the companies have been and how much they have endured before they have been broken.

The figure below describes different reasons for relationship termination.

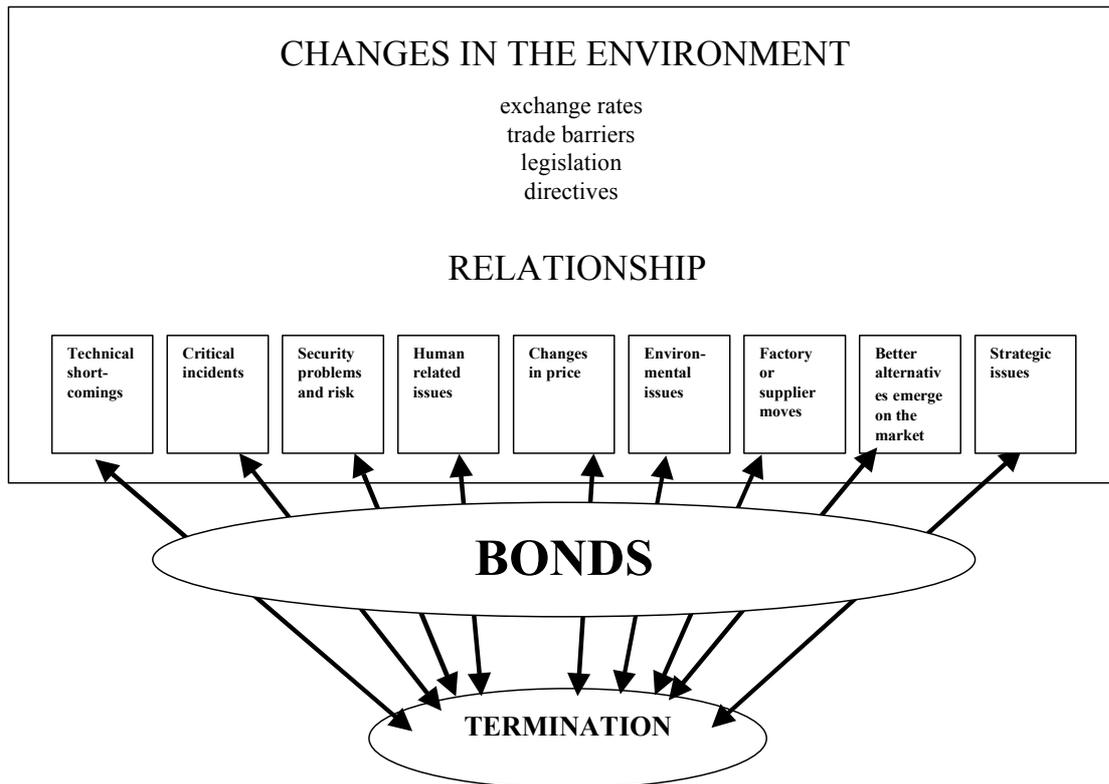


Figure 2: Issues that affect relationship termination and bonds that dampen the affect

The figure above should be seen so that changes in the environment are factors that can change regardless of what measures the cooperating companies would do in order to prevent them. Changes in the business relationship are factors that could be affected by the companies in the relationship. The bonds function as a filter or have a dampening effect on the changes in the relationship. Due to the bonds the problems that arise in the cooperation could be seen as minor and may prevent relationship termination.

Changes in the environment

Changes in the environment are factors that cannot be affected by the companies themselves. (Alajoutsjärvi & Tähtinen 1997) calls these external reasons for termination. These are affected by changes in legislation, changes in currency rates, trade barriers, directives, etc. These changes may lead to relationship termination.

Changes in legislation and directives

Changes in legislation may affect relationship termination when for instance the suppliers product fail to meet standards that has changed when legislation or directives has changed. If

for instance a new directive from The European Union regarding manufacture of products changes the competition to the suppliers disadvantage then the relationship could be terminated. If the suppliers factory has a higher level of pollution compared to the competition and does not fulfill the new directive regarding for instance air pollution then the customer may choose another supplier.

This was the case when CFC (chloro-fluorocarbons) was banned in the Montreal protocol in December 1995. CFC was used as a propellant for aerosols and in systems for air-conditioning in cars to name a few examples. Producers of CFC had to alter their production and find alternative resources when the ban was implemented. (Harrison & Easton 1997)

Changes in exchange rates

Fluctuation of exchange rates or depreciation or revaluation of the exchange rates may lead to problems when for instance the exchange rate in the suppliers home country is reevaluated or when the currency in the customers home country is depreciated. If the value of the currency in the customers home country is decreasing in comparison to the suppliers home country then the price of the products that is bought from the supplier becomes more expensive for the buyer and the buyer may have to find another supplier. One possibility to guard oneself for this kind of changes in the environment could be to hedge against changes in the currency rates.

Changes in trade barriers

Changes in trade barriers may take place when for instance some country become member of a trade association like EU, NAFTA, etc. If the country the customer is located in becomes member of for instance the EU and the country the supplier is located in does not become a member of the same trade association then the products that the customer buys becomes more expensive for the customer. This is because an import duty must be paid for products entering the customs union. In this specific case 5 % more expensive since the import duty in the EU area is 5 %. This can also lead to relationship termination.

Changes in the business relationship

Changes in the business relationship can also affect relationship termination. These changes can be affected by the cooperating companies. By improving for instance technical quality of the products or by doing things better relationship termination can be avoided.

Technical shortcomings

Technical shortcomings can be problems with the product or production process. There can be technical problems regarding the product. The metal compound in the spring could have a too large amount of hydrogen in it so that the spring brakes easier when used, etc. Problems in the production process could be that the product does not fit into the suppliers production process and is therefore too expensive to manufacture so that the supplier finds it easier to terminate the relationship instead of manufacturing the product at a loss (Wendelin 1998b).

Critical incidents

Critical incidents can for instance be delays that occur in the relationship between the supplier and the customer. Delays due to capacity problems in the production process if for instance the supplier has a large backlog of orders. If the customer's production line is affected by these delays then the relationship can be terminated quite fast, especially if the customer has back up suppliers.

Issues that the customer see as negligence can also lead to trouble in the relationship. If for instance the supplier sends the wrong product-numbers repeatedly or are careless in another way it could lead to problems.

Security problems and risk

Security problems can constitute a problem for the interacting companies. If there are leaks of blueprints of a new product to competitors or if there are some other problems with information leaks, etc. then there will be problems in the cooperation between the companies.

If there are perceived high risk to cooperate with the current partner then there are also problems. Some buyers have a demand that companies should do fire risk analysis before

they can have an “A” rating as suppliers. If some supplier has a problem with passing the fire risk analysis then the customer may choose another supplier. This is also the case if the factory is located near to a volcano, nuclear plant or any other object that could be perceived as risky. All risks that could lead to a delay of product deliveries or a total shutdown of deliveries can constitute a perceived risk for the customer. This also concerns risk for bankruptcy if the suppliers have financial problems. (Wendelin 1998b)

Toyota lost a week of production when its proportioning valves supplier Aisin was struck by a factory fire, under which time no cars could be produced until alternative suppliers could be found and adapted to Toyotas speed of production. This shows the vulnerability that a specific investment creates. There is dependence that makes it difficult to disengage as circumstances change. (Bensaou & Anderson 1999)

Human related issues

Human related issues regards how people from the cooperating companies get along in their daily work. Problems that arise can have to do with an infected relation between two employees in the cooperation that can be due to their different personalities. If one or both are not transferred to other places in the organization then this could result in relationship termination.

Human related problems could also have to do with the fact that the contact person that one has made business with for several years’ start to work for a competing company and the customer follow the contact person to the new company.

Changes in price

Changes in the price level can also lead to problems between the cooperating companies. If the supplier increases the price and the customer can buy the product from an alternative supplier then the relationship will probably be terminated (Wendelin 1998a). The same goes if the prices of raw material used for the product increase on the world market forcing the supplier to raise the price of the product, but the customer is not willing to pay more for the product. On the other hand if a supplier have a worldwide technical lead regarding some important components they can raise the price without any consequences (Brennan & Turnbull 1997).

Environmental issues

Environmental issues can also be the reason for relationship termination. If the supplier is having problems with fulfilling environmental standards such as the ISO 14001 standard or equivalent and the customer requires such a standard then the supplier could have problems. Another reason could be if the supplier has problems with pollution. If the supplier pollutes the environment more than the laws allow and have problem with keeping down the level of air and water pollution. Another issue could be products painted with poisonous colors.

Factory or supplier moves

If the customer's factory or if the supplier moves then this could result in relationship termination. If the distance between the customer and supplier gets too big then the customer may seek another supplier.

Better alternatives emerge on the market

In the cases when better alternatives emerge on the market it can be better alternatives both regarding products and regarding supplier. In the case regarding product it may be that the product becomes technically obsolete because of new technology in the customer's end product. When the case is trucks then it could be argued that the increasing use of air suspension in trucks would make springs obsolete. A supplier that does not have a product or part that could be used in trucks with air suspension would soon be out of the market (Wendelin 1998a) (Wendelin 1998b). The second case regarding supplier could be that a supplier with a shorter lead-time, lower prices, etc. evolves on the market.

A lack of alternative partners may keep one of the counterparts in the cooperation even though he may want to terminate the cooperation. (Alajoutsjärvi & Tähtinen 1997)

Strategic issues

Strategic issues are for instance when the cooperation with a supplier is terminated due to that the buyer has made a strategic decision to decrease its number of suppliers from 10 to 5 suppliers or has started with a strategy of single sourcing. There may not be big differences in price, quality, etc. between the different suppliers and the buyer may for instance use a strict system with ratings and the relationships with slightly lower points are terminated.

Conclusion

Several reasons for relationship termination between a supplier and a buyer was found in the study, for instance technical shortcomings, human related issues, changes in price or environmental issues. By knowing reasons for relationship termination it is possible to affect the relationship and strengthen or weaken it.

The author also built a framework regarding how bonds develop and fade away during the lifetime of the industrial relationship. This could help researchers as well as companies to grasp some of the complexity of bonds and how bonds between companies should be developed and managed. By using bond management it is possible to strategically strengthen or weaken the bonds between the cooperating companies in order to strengthen the cooperation and tie the customer or supplier to the company or to terminate the relationship. Bonds could for instance be weakened by increasing the product prices regarding economic bonds from the supplier's side or by lowering the prices from the buyer's side. Launching patented concepts like for instance Benditec® (a tubular stabilizer for trucks) that gives the customer advantages at the same time, as it is a new idea could strengthen technical bonds between the companies.

An issue closely linked to the dynamics of bonds that needs more research is bond episodes.

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