Classifying Relationships across Cultures as Successful and Problematic: Theoretical Perspectives and Managerial Implications.

Sheena Leek[1]
Birmingham Business School,
University of Birmingham,
Edgbaston,
Birmingham B15 2TT,
United Kingdom.
E-mail:S.H.Leek@bham.ac.uk

Peter W. Turnbull
University of Birmingham

Pete Naudé
Manchester Business School

Abstract

There is increasing interest in the theoretical and practical challenges that managers face in having to cope with a variety of different business relationships. A number of relationship portfolio models have been developed which use a wide range of criteria for categorising relationships. The research reported here takes a different approach. It not only identifies the key process and/or outcome elements which managers use to distinguish between successful and problematic relationships, but also compares the managers' perceptions across three different countries. The aim is to contribute to the development of more robust management thinking and action. Managers in Great Britain, France and Finland were found to think about relationships in terms of both process and outcome. Whilst the outcome variable used to discriminate successful and problematic variables varies slightly across countries, they all used the process variables of trust and problem resolution.

Keywords: Successful relationships, Problematic relationships, Process, Outcome, Relationship portfolio models

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Introduction

Over the past twenty years a number of relationship portfolio models have been developed with the aim of conceptualising and providing a framework for managing supplier and customer relationships (Fiocca 1982; Campbell and Cunningham 1983; Shapiro et al. 1987; Krapfel et al. 1991; Olsen and Ellram 1997; Turnbull and Zolkiewski 1997). A basic proposition is that relationship management is critical in order to obtain competitive advantage. Traditionally, research into relationship management has categorised relationships using different combinations of variables, and researchers have rather normatively deduced which categories of relationships are desirable and which are not, based upon their interpretation of what defines a successful or problematic relationship. Research in this area has not examined the applicability of these models in different cultures. This research takes an alternative perspective. Managers from three countries, the United Kingdom, France and Finland, were asked questions concerning both successful and problematic relationships, the intention being to identify variables used by managers to define the success or otherwise of a relationship. This piece of research aims to compare the results obtained to previous theories, and to determine whether they could form the basis of a relationship portfolio model that can be readily applied by managers. It also aims to identify whether there is a relationship portfolio model that can be uniformly applied across cultures or whether modifications are necessary. Companies do not often conduct their business in a purely domestic context, and therefore it is necessary to determine whether managers from different countries perceive successful and problematic relationships in a similar way. The remainder of this article is organised as follows: firstly we review earlier relationship portfolio models with the aim of examining the variety of variables used, the construction of the models and the guidance they provide. This is followed by the theoretical proposal that managers think about relationships in terms of process and outcome variables leading to four basic relationship typologies. There is a discussion of the cultural differences and the effect on business to business relationships. From this discussion the research objectives are formulated. The method section describes the operationalisation of the variables and the study sample. Finally, analysis of the data is followed by a discussion of the results and their implications.

A review of past relationship portfolio models

A number of relationship portfolio models have been developed through academic enquiry (Fiocca 1982; Campbell and Cunningham 1983; Shapiro et al. 1987; Krapfel et al. 1991; Olsen and Ellram 1997; Turnbull and Zolkiewski 1997). These models vary in a number of ways; the number and nature of the variables they use, the number of steps in the analysis, the number of relationship categories postulated and the recommendations for managing these different groups of relationships. Table 1 summarises how the models vary in terms of both the actual variables and the number of variables used.

Table 1: A Comparison of the Main Variables Used in Portfolio Models. (Zolkiewski and Turnbull 1999).

Variable	Fiocca (1982)	Campbell & Cunningham (1983)	Shapiro et al (1987)	Krapfel, Salmond and Spekman (1991)	Olsen & Ellram (1997)	Turnbull & Zolkiewski (1997)
Strategic importance	X				X	
Difficulty managing relationships	X				X	
Attractiveness	X	X			X	
Strength of relationship	X				X	
Growth rate of customer's market		X				
Competitive position		X				
Net price			X			X
Cost to serve			X			X
Interest commonality				X		
Relationship value				X		X

[Note: While Fiocca (1982) and Olsen and Ellram (1997) use the same set of variables, Fiocca's model was developed for examining customer relationships whereas Olsen and Ellram's model was for supplier relationships.]

A number of supplementary variables often underpin the main variables used. For example, in Fiocca (1982) *"the strategic importance of the relationship"* is assessed by examining factors such as the potential and prestige of the account. In addition, Fiocca argues that the "difficulty in managing the relationship" may be determined by assessing the product characteristics (i.e. novelty and complexity), the account characteristics (customer's needs and requirements, buying behaviour etc.), and competition for the account (number of competitors, strengths and weaknesses of the competitor etc.). Shapiro et al. (1987) measured "cost to serve" using four variables: presale, production, distribution and post sale service costs. Krapfel et al. (1991) measure "relationship value" using criticality, quantity, replaceability and slack.

The perception of what variables are important in assessing relationships clearly varies substantially. The inclusion or omission of certain variables has lead to criticism. Zolkiewski and Turnbull (1999) and also Yorke and Droussiotis (1994) have criticised models for not including an explicit measure of customer profitability. Yorke and Droussiotis (1984) specifically criticised Fiocca (1982) for assuming that each relationship category is associated with a different level of profitability. Turnbull and Zolkiewski (1997) found that customers were often not as profitable as managers perceived, while Shapiro et al (1987) found that managers did not know the real cost involved in serving individual customers, which obviously affected their perception of profitability. Fiocca (1982) also failed to consider distance and cultural factors, which can be crucial when dealing internationally (Zolkiewski and Turnbull 2000).

The models above also differ in how they are constructed. Different numbers of steps are involved, Fiocca's (1982) model has two steps, Campbell and Cunningham's (1983) and Olsen and Ellram's (1997) have three, Turnbull and Zolkiewski's (1997) model only one. The outcome of all the models is a categorisation or portfolio of relationships but the number of classifications varies. For example Turnbull and Zolkiewski's (1997) model identifies eight types of relationships and both Shapiro et al's (1987) model and Krapfel et al's (1991) model produce four types.

The variables used within the models are often a mixture of the subjective and objective, and there are a number of ways of defining, measuring and interpreting them. For this reason, while the results may be useful for producing a rough, conceptual guide for determining customer clusters, their ability to provide a more detailed analysis is limited. In order to produce clearly defined clusters, ideally the variables need to be succinctly defined (Leek and Turnbull 2001). Turnbull and Topcu (1994) tested Fiocca's (1982) model with data from a Turkish minerals manufacturer, exposing a number of problems with the calculations due to the subjectivity of the variables. Turnbull and Topcu (1994) interpreted some of the variables in different ways. For example "difficulty in managing the account" was interpreted in two different ways, one based on the amount of problem solving required, the other

based on the relative service requirement. Not surprisingly, they found that the two interpretations resulted in significant disparities in the categorisation of customers. Despite the subjectivity, both Turnbull and Topcu (1994) and Yorke and Droussiotis (1994) found that Fiocca's (1982) model yielded useful data when analysing companies' relationships. Clear definition and measurement of variables should remove the inconsistencies inherent in the subjective interpretation of variables over time.

The desired outcome of any portfolio model is to enable management to determine a strategy for improving their business. Only a few of the models provide any guidance on what to do with the results of a portfolio analysis (Krapfel et al. 1991; Olsen and Ellram 1997). Olsen and Ellram (1997) divide relationships into nine categories, and they suggest three types of action plan, however they also state that a number of additional variables need to be considered in action plans (e.g. the product's position in the life cycle, the technology of the company, and its network position) but do not formally include these in their initial analysis. The model developed by Krapfel et al. (1991) produces four relationship categories and six management modes which map onto them. The action plans and management modes are inevitably vague as without the details of a specific company and its relationships it is impossible to be prescriptive.

Despite the amount of research in relationship portfolio management, the practitioner is faced with considerable problems when selecting an appropriate model from the number that are available. These problems may explain why recent research found that thirty percent of sampled UK companies do not have a formal system for managing their relationships (Leek, Turnbull and Naudé 2002). It is possible that of the managers who do use a system for managing their relationships many may not be using an academic model but one which they have developed themselves.

Theoretical considerations

This paper investigates managers' perceptions of relationships and investigates what variables they use to categorise them into successful and problematic relationships. Holmlund (2004) suggests that business relationships can be academically examined in terms of process and outcome. We hypothesise that managers also consider these two general dimensions when determining whether a relationship is successful or problematic. Generally the *process* of the relationship refers to the ease or difficulty of dealing with the supplier or customer. The *process* dimension of a relationship is considered successful when the interaction processes, the product/service exchange, financial exchange, information and social exchanges, such as the negotiations are congenial, the handling or management of the relationship is professional, and the transactions go smoothly. The *outcome* dimension relates to a number of variables, such as sales value, competitive advantage or value creation. In the past, process or outcome variables were included in portfolio models but not simultaneously (See Table 1). Figure 1 demonstrates how the two dimensions of process and outcome might be integrated, with each category being defined further below.

Figure 1: The Successful-Problematic Matrix of Relationships.

	2 Easy Under Performer	4 Smooth Achiever
Successful		
Problematic	1 Problem Child	3 Rough Ride
Process **Outcome**	**Problematic**	**Successful**

1   Problem Child - The management of this relationship is difficult because it is fraught with problems on both the process and outcome dimensions. The interactions between the parties are difficult and the relationship offers little benefit at the end in terms of competitive advantage or value. Overall it appears that there is little to be gained from this relationship and it may be wiser for the company to eliminate it from its portfolio.

2   Easy Under Performer - The management of this relationship is smooth and easy but it only conveys a slight positive outcome i.e. it does not offer significant competitive advantage or value. This relationship may be using resources that could be employed

more usefully elsewhere. It may be anticipated that greater return could be obtained from the relationship in the future.

3   Rough Ride - The process of this relationship is difficult. It is a testing and rocky relationship where both parties challenge each other to be innovative and creative in resolving their problems to reach the outcome stage which is very positive.

4   The Smooth Achiever – The process of this relationship is easy to manage and its outcome is also positive. This type of relationship is a top performer.

Relationships are dynamic in nature, and therefore just because a relationship currently falls into the Smooth Achiever or the Problem Child category it does not necessarily mean it will remain there. Problematic relationships may be turned into successful ones after the clarification and resolution of various issues. Successful relationships may founder and turn into problematic relationships if they remain unchallenged or insufficient investment is made in them. However, there is also a danger inherent in such classifications that they may be partially self-fulfilling. A relationship which is perceived as problematic may lead to management deciding to withdraw some resources from that relationship making it even more problematic whereas a relationship, which is perceived as a successful relationship, may be successful because of the continuous investment of resources.

The role of culture

Managers generally do not conduct business in a purely domestic context; they have to interact with managers from a variety of other countries. Different nationalities have different cultures which may affect their approach to business, therefore although for example UK managers may think of successful and problematic relationships in terms of process and outcome, managers in other countries may think differently. If other countries do consider both process and outcome, they may differ on both the number of variables they perceive as being useful and the actual variables themselves.

Hofstede (1984) found countries' cultures differed along four different dimensions, individualism, power distance, uncertainty avoidance and masculinity. These differences influence how different nationalities behave in business interactions and may therefore contribute to explaining similarities and differences in how successful and problematic relationships are perceived. Table 2 demonstrates how Great Britain, France and Finland differ on each of Hofstede's four cultural dimensions.

Table 2: The Cultural Characteristics of Great Britain, France and Finland.

Cultural Dimension	Great Britain	France	Finland
Individualism Index (score and rank)	89 3rd	71 10th	63 17th
Power Distance Index (score and rank)	35 42nd	68 15th	33 46th
Masculinity Index (score and rank)	66 9th	43 35th	26 47th
Uncertainty Avoidance Index (score and rank)	35 47th	86 10th	59 31st

Adapted from Hofstede 1994.

In individualistic societies individuals are expected to look after themselves whilst in a collectivist society the members are concerned with all of the group members. With regard to Great Britain, France and Finland, the British, scoring 89 on the Individualism Index (IDV) and ranking third, are the most individualistic followed by the French (IDV score 71, ranking joint 10th) and then the Finnish (IDV score 63 and ranking 17th) (See Table 2). In a group oriented society, such as Finland, the personal relationship prevails over the task and should be established first, whereas in a more individualistic society such as Britain the opposite occurs. This will affect the process aspect of business relationships, especially decision making and negotiations. Communitarian decision making requires time for negotiation to gain consensus rather than voting down dissenters. The Finnish and French may place more emphasis on the process than the British who may place more emphasis on the outcome.

France has a greater power distance than Britain and Finland. France scores 68 on the power distance index (PDI) and ranking fifteenth as opposed to Great Britain's score of 35 and ranking of joint forty second and Finland's score of 33 and ranking of forty six (See Table 2). In countries with a large power distance, the employees exhibit a greater dependence on their superiors and are unlikely to approach or contradict them whereas in countries with a small power distance the employees are not so dependent on their superiors and have a preference for consultation.

The masculinity dimension is the extent to which society values masculine or feminine qualities. The UK is more masculine than France and Finland, scoring 66 on the masculinity index (MAS) and ranking joint ninth whilst France scores 43 and ranks joint thirty fifth and Finland score 26 and ranks forty seventh (See Table 2). The UK which is more masculine, places greater value on high earnings, recognition, advancement and challenging work whereas in France and Finland which are more feminine societies, more emphasis is placed on good working relationships with superiors, co-operation and employment security.

Hofstede's final cultural dimension, uncertainty avoidance, can be defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations. The French prefer to avoid uncertainty more than the Finnish and the British; the French score 86 on the uncertainty avoidance index (UAI) and are ranked joint tenth whilst Finland score 59 and ranked joint thirty first and Great Britain score 35 and are ranked joint forty seventh (See Table 2). More anxious cultures are more expressive, these people use gestures and are more emotional whereas in countries with lower uncertainty avoidance the people are less expressive and do not show their emotions as much. Cultures who avoid uncertainty shun ambiguous situations, preferring to look for structure in their organisations and relationships which makes events predictable and interpretable. They need predictability and written and unwritten rules.

Generally in collectivist France it might be expected that the process will prevail over the outcome. The fact that they exhibit greater power distance, uncertainty avoidance and a preference for rules means they abide by the norms and etiquette for establishing relationships which means the companies may take a longer time to get close to each other. In individualist, masculine Britain the outcome may take precedence over the relationship i.e. the process. However this does not mean the process is not important. Great Britain's smaller power distance and low uncertainty avoidance may mean they are less inclined to abide by the norms and social etiquette of relationships and establish them slightly quicker and in a more informal manner so they may become close more quickly. In Finland the process and outcome may be equally important. Finland is collectivist to a greater degree than France; they are also the most feminine and have a small power distance so there is a great emphasis on establishing and maintaining relationships. The Finnish may not be too comfortable with ambiguity so it may be necessary for them to know what is expected from the relationship and how it will develop. The cultures of these three countries means that they will place different degrees of emphasis on the process and outcome. It may mean that they have differing perspectives of what the processes of a successful and problematic relationship entail. Across cultures the process and outcome may entail totally different variables or even differing numbers of variables.

Research objectives

The aims of this study are,
1. To determine whether British, French and Finnish managers perceive relationships in terms of both process and outcome variables.
2. To ascertain whether managers from the three countries define the dimensions of process and outcome in the same way. Do they use the same number of process and outcome variables? Do they use the same variables?
3. To develop a process and outcome matrix for each nation based on the variables identified and to determine whether the successful and problematic relationships fall into the categories as expected.

Methodology

There were two stages to this research project. The first stage was carried out solely in the UK and entailed performing semi-structured qualitative interviews with twenty-one practicing managers from nineteen different companies in a range of industries. This stage allowed the research instrument to be piloted, ensuring the clarity of the terminology and the relevance of the issues to the respondents. This was followed by a quantitative stage carried out in the UK, France and Finland. A postal survey yielding results from 360 managers in a variety of industries, 109 of which were British, 119 were French and 132 were Finnish. Each manager reported his/her views on both a successful and problematic relationship so the effective response size in terms of the number of relationships was doubled. When the managers were asked to consider both a successful and a problematic relationship no information i.e. definitions of successful and problematic or the classification matrix in Figure 1, was provided as a guideline for selecting relationships in order to prevent the researchers imposing their theoretical framework on the respondents. The perceptions of whether a specific relationship is successful or problematic may vary both between the organisations involved and between the individuals within each organisation. It is the broad similarities and differences of successful and problematic relationships which are of interest in this study.

Operationalisation of the Variables

The variables included in this study were specifically selected to concentrate on the interactions between the people within the organisation and the outcome of the relationship. The list of variables included therefore is not exhaustive. Many of the variables used are taken from previous research. Operationalisation of the variables is described below.

- *The importance of the relationship in terms of monetary value* - This was an open-ended question.
- *The duration of the relationship* - The duration of the relationship was measured by an open-ended question.
- *The number of departments and people involved in the relationship* - These items were each measured by an open-ended question.
- *Indirect value creation* – Indirect value creation was measured by asking the respondents about the degree of benefit that their firm obtains from the relationships, in terms of joint product development, innovation and market access. The scale for the three items was a scale from 1 (= No benefit) to 5 (= Great benefit).
- *The degree of competitive advantage* – This was measured by one item asking "What degree of competitive advantage does each relationship give you over your competitors?" Respondents rated their successful and problematic relationship on a 5-point scale from 1 (= No competitive advantage) to 5 (= Great competitive advantage).
- *Relationship atmosphere* – The relationship atmosphere is expected to vary between successful and problematic relationships. Trust was measured using 5 items, commitment 4 items, powerfulness 4 items, cooperation 3 items, competitiveness 2 items and problem resolution 2 items (Kumar, Scheer and Steenkamp 1995; Lusch and Brown 1996; Kothandaraman and Wilson 1999). The respondents were asked to indicate their degree of agreement or disagreement, on a five point scale from 1 (= Strongly disagree) to 5 (= Strongly agree) with 0 as Don't know or not applicable.

Results

The Sample.

The sample consisted of 360 respondents; each respondent completed questions for both a successful and problematic relationship; therefore 720 relationships were analysed. Of the 720 relationships 218 were British, 238 were French and 264 were Finnish (See Table 3).

Table 3: The Nationalities of the Successful and Problematic Relationships.

Nationality	Successful or Problematic		Total
	Problematic	Successful	
UK	15.1% 109	15.1% 109	218
French	16.5% 119	16.5% 119	238
Finnish	18.3% 132	18.3% 132	264
	50.0% 360	50.0% 360	100.0% 720

Identification of the Variables Used to Discriminate Between Successful and Problematic Relationships.

Discriminant function analyses was performed for each of the countries in order to identify what variables successfully distinguished successful and problematic relationships and whether they were process variables, outcome variables or a mixture of both.

Table 4: The Variables that Predict British Successful and Problematic Relationships.

Variable	Tolerance	F to remove	Wilk's Lambda
Trust	.847	18.6	.381
Problem Resolution	.909	15.7	.370
Competitive advantage	.921	6.7	.333

Table 5: Classification of British Successful and Problematic Relationships Using the Variables Trust, Problem Resolution and Competitive Advantage.

	Predicted Group Membership		Total number of respondents
	Problematic	Successful	
Count Problematic	76	5	81
Successful	9	81	90
% Problematic	93.8%	6.2%	100
Successful	10.0%	90.0%	100

It can be observed from Table 4 that three variables were found to have a significant role in predicting whether a British relationship was successful or problematic, these were trust, problem resolution and competitive advantage. Competitive advantage is an outcome variable whilst trust and problem resolution are process variables, i.e. they make the relationship easier to manage. It can be observed from Table 7 that these variables enabled 93.8% of the problematic variables to be correctly predicted and 90.0% of the successful relationships to be correctly predicted.

Table 6: The Variables that Predict French Successful and Problematic Relationships

	Tolerance	F to remove	Wilk's Lambda
Trust	.770	13.6	.291
Problem Resolution	.783	16.7	.299
Benefit from joint product development	.910	12.9	.289
Competitive Advantage	.927	4.0	.266

Table 7: Classification of the French Successful and Problematic Relationships Using the Variables, Competitive Advantage, Trust, Problem Resolution and Joint Product Development.

	Predicted Group Membership		Total Number of Respondents
	Problematic	Successful	

Count Problematic	75	7	82
Successful	5	82	87
% Problematic	91.5%	8.5%	100%
Successful	5.7%	94.3%	100%

It can be observed from Table 6 that there are four variables which distinguish between French successful and problematic relationships, trust, problem resolution, benefit from joint product development and competitive advantage. The degree of benefit from joint product development and competitive advantage are both outcome variables and trust and problem resolution are both process variables. It can be observed from Table 7 that these four variables lead to the correct prediction of 91.5% of the problematic relationships and 94.3% of the successful relationships.

Table 8: The Variables that Predict Finnish Successful and Problematic Relationships.

	Tolerance	**F to remove**	**Wilk's Lambda**
Trust	.683	29.9	.591
Problem Resolution	.721	5.9	.509
Joint product development	.937	4.7	.505

Table 9: Classification of the Finnish Successful and Problematic Relationships Using the Variables, Indirect Value, Problem Resolution and the Number of People Involved.

	Predicted Group Membership		**Total Number of Respondents**
	Problematic	**Successful**	
Count Problematic	79	13	92
Successful	15	81	96
% Problematic	85.9%	14.1%	100%
Successful	15.6%	84.4%	100%

Three variables were found to distinguish between Finnish successful and problematic relationships were trust, problem resolution and joint product development (See Table 8). Trust and problem resolution are both process variables and joint product development is the outcome variable. It can be observed from Table 11 that these variables correctly predicted 85.9% of the problematic relationships and 84.4% of the successful relationships.

All three nations, Great Britain, France and Finland perceive their relationships in terms of process and outcome. The process variables which discriminated between successful and problematic were found to be trust and problem resolution for all three nations. The outcome variables differed between nations. The British wanted competitive advantage as an outcome which reflects their more individualistic, masculine culture, the French wanted competitive advantage and joint product development which would emphasise their desire to build relationships but also the need for a positive outcome for themselves. The Finnish being the most relationship oriented of the three nations have joint product development as their relationship outcome.

Classification of the Successful and Problematic Relationships into the Relationship Typologies.

The original matrix in Figure 1 had four typologies. Discriminant function analysis has identified three discriminating variables for Great Britain and Finland and four variables for France which will produce 8 and 16 relationship typologies respectively. It is important to find out what relationship typologies the successful and problematic relationships fall into in order to find out whether they are being classified correctly and if not what qualities are perhaps leading to the misclassification.

Three variables were found to discriminate between British successful and problematic relationships and were used to produce a matrix of eight relationship typologies which incorporated the original four (See Table 10).

Table 10: A Cross Tabulation of British Successful and Problematic Relationships with Competitive Advantage, Trust and Problem Resolution.

Problem Resolution	Trust			Low Competitive Advantage	High Competitive Advantage
Low Problem Resolution	Low Trust	Successful		Problem Child 1.1% 1	Rough Ride 2.2% 2
		Problematic		37.0% 30	19.8% 16
	High Trust	Successful		-	5.6% 5
		Problematic		3.7% 3	3.7% 3
High Problem Resolution	Low Trust	Successful		4.4% 4	12.2% 11
		Problematic		18.5% 15	9.9% 8
	High Trust	Successful		Easy Under Performer 7.8% 7	Smooth Achiever 66.7% 60
		Problematic		2.5% 2	4.9% 4

[red - problem child, blue - smooth achiever, ochre – 2 negative qualities, green – 2 positive qualities]

It can be observed from Table 11 that the majority (66.7%) of the successful relationships fall into the Smooth Achiever category as expected. A quarter of the successful relationships (25.6%) fall into categories which have 2 positive qualities. 6.6% of the successful relationships have two negative qualities and only 1.1% fall into the Problem Child category, although none would be expected in this category.

With regard to the problematic relationships over a third (37.0%) fall into the Problem Child category, with a further 42% having two negative qualities. Interestingly, 16.1% of the problematic relationships have two positive qualities and 4.9% fall into the Smooth Achiever category.

Four variables were found to discriminate between successful and problematic French relationships and were combined to produce a matrix containing sixteen relationship typologies.

Table 11: A Cross Tabulation of French Successful and Problematic Relationships with Competitive Advantage, Joint Product Development (JPD), Trust and Problem Resolution.

Problem Resolution	Trust		High Comp Advantage		Low Comp Advantage	
			Low JPD	High JPD	Low JPD	High JPD
Low Problem Resolution	Low Trust	Successful (87)	-	Rough Ride 2.3% 2	Problem Child -	-
		Problematic (82)	17.1% 14	18.3% 15	30.5% 25	4.9% 4
	High Trust	Successful	-	3.4% 3	-	
		Problematic	-	4.9% 4	-	1.2% 1
High Problem Resolution	Low Trust	Successful	1.1% 1	12.7% 11	-	-
		Problematic	4.9% 4	6.1% 5	4.9% 4	3.6% 3
	High Trust	Successful	8.1% 7	Smooth Achiever 72.4% 63	Easy Under Performer -	-
		Problematic	-	-	3.6% 3	-

[Red – Problem Child 4 negative, ochre=3 negative, yellow – 2 negative, green=3 positive, blue = 4 positive]

It can be observed from Table 11 that 72.4% of the successful French relationships fall into the Smooth Achiever category. A further 24.2% of the successful relationships have three positive qualities. Only 3.4% fall into categories with two positive qualities. None of the successful relationships fall into categories with three negative qualities or into the Problem Child category.

With regard to the French problematic relationships 30.5% fall into the Problem Child category and a further 26.9% fall into categories with three negative qualities. Approximately a third (31.6%) of the problematic relationships fall into categories with two negative qualities, whilst 11.0% fall into categories with three positive qualities.

Table 12: A Cross Tabulation of Finnish Successful and Problematic Relationships with Competitive Advantage, Trust and Problem Resolution.

Problem Resolution	Trust		Low Product Development	High Product Development
Low Problem Resolution	Low Trust	Successful	1.0% 1	3.2% 3
		Problematic	20.9% 19	30.8% 28
	High Trust	Successful	-	6.3% 6
		Problematic	-	7.7% 7
High Problem Resolution	Low Trust	Successful	1.0% 1	11.6% 11
		Problematic	9.9% 9	19.8% 18
	High Trust	Successful	3.2% 3	73.7% 70
		Problematic	1.0% 1	19.8% 18

As expected, 73.7% of the Finnish successful relationships fall into the smooth achiever (See Table 12). A further 21.7% fall into categories with two positive qualities. 4.2% of the successful relationships fall into categories with two negative qualities and 1.0% fall into the Problem Chid category.

20.9% of the problematic relationships fall into the Problem Child category i.e. they have a difficult process and a poor outcome. A further 40.7% fall into categories with two negative qualities. Interestingly, 28.5% of the problematic relationships fall into categories with two positive qualities and 19.8% of the problematic relationships fall into the Smooth Achiever category.

Generally the more positive process and outcome qualities a relationship has the more likely it is to be perceived as a successful relationship and vice versa for problematic relationships. Although it might be expected that the majority of problematic relationships would fall into the Problem Child category this is not actually the case. It is possible that relationships which have no redeeming qualities are generally terminated fairly quickly, leaving the majority of problematic relationships with one or more redeeming feature.

Table 13: The Percentage of Successful and Problematic Relationships Misclassified in each Country.

UK		France		Finland	
Successful	Problematic	Successful	Problematic	Successful	Problematic
7.7%	17.3%	0%	11.0%	5.2%	48.3%

It can be observed from Table 13 that there is a problem with the misclassification of relationships, some "successful" relationships have a greater number of negative qualities than positive qualities and some "problematic" relationships have more positive qualities than negative qualities. Generally fewer successful relationships are misclassified than problematic relationships.

The problem of misclassification varies across nations, the French seem to have smallest problem with misclassification, followed by the British then the Finnish. The Finns are the most relationship oriented yet they have the biggest problem with misclassification of relationships; 48.3% of the "problematic" have a greater number of positive qualities than negative qualities. Why are these problematic relationships being perceived as negative when they are in fact positive?

The bulk of these misclassifications are due to the adverse effects of one negative process variable. There may be a lack of trust or low degree of willingness to resolve problems which makes the process difficult and despite the other positive qualities of the relationship it is perceived as problematic.

Discussion

The research confirmed the initial proposition that managers perceive relationships in terms of process and outcome variables. This finding was applicable to managers from each of the three countries, Great Britain, France and Finland. The number of variables used to distinguish between successful and problematic variables varied, with Great Britain and Finland using three and France using four. As a consequence of the variation in the number of variables used the number of relationship typologies differs, with 8 for Great Britain and Finland and 16 for France. Ideally a good relationship portfolio model should enable the managers to identify the categories their relationships fall into and determine whether they should maintain its position or attempt to change the category of the relationship to one which is desired. In order to be able to do this it is necessary for managers to understand how the variables are defined, how they are related to each other and how to increase their levels. It is also necessary to understand whether any variables are underlying the main process and outcome variables.

Past relationship portfolio models have generally not incorporated relationship atmosphere variables such as trust or problem solving. Although competitive advantage and joint product development have not been included either, similar variables have been used e.g. relationship value (Krapfel et al 1991; Turnbull and Zolkiewski 1997) and strategic importance (Fiocca 1982; Olsen and Ellram 1997). The managers' perspective of successful and problematic relationships is quite different to the academics which may explain why 30% of companies in the UK do not have a formal system for managing relationships (Leek et al 2002).

A relationship portfolio model incorporating trust, problem resolution, competitive advantage and joint product development is going to suffer from many of the problems of past relationship portfolio models. As the variables are subjective there will be problems with definition and measurement not only within countries but across countries i.e. France's definition of trust may differ significantly from Finland's definition. Differing definitions will effect the perception of how successful or problematic a relationship is (Turnbull and Topcu 1994; Yorke and Droussiotis 1994). Research needs to clarify the definition of trust and problem solving across cultures which would provide a basis for determining how these qualities could be increased in relationships.

It is likely that the variables within the models, trust, problem resolution, competitive advantage and joint product development interact in some way. In relationships where there is a higher level of trust or willingness to resolve problems a greater degree of competitive advantage and/or joint product development may be obtained. Kaleka (2002) found customer relationship building to be positively related to the three components of competitive advantage – cost advantage, service advantage and product advantage. It may be assumed that trust and problem solving would be encompassed by customer relationship building. However, conversely, competitive advantage may have a poor process i.e. low level of trust and problem solving. Trust and problem solving do not create competitive advantage but it is possible that they help to maximize the potential of the relationship. This may not apply to joint product development where trust and problem resolution may be a prerequisite. The nature of the relationship between trust and problem resolution is not clear; is problem resolution a precursor to trust, is a certain level of trust required to solve problems effectively? Further research is required to clarify the relationships between these components.

The nations differ in the outcome variable that distinguishes between successful and problematic relationships. The UK perceive the outcome in terms of competitive advantage which is a direct result of the relationship. Britain being more individualistic and masculine is less concerned with establishing and maintaining relationships and ensuring that the company they are interacting with also obtain some benefits. The cultural qualities may lead to reluctance in British managers to share what they believe is important information. The French perceive outcome in terms of both joint product development and competitive advantage. They are prepared to work with other companies to develop a product which will give them a competitive advantage. Being relationship oriented this is a two way process involving the exchanging of expertise and skills so both parties benefit. The greater power distance of the French may temper the degree of relationship orientation and enable them to keep an objective view of the interactions and the benefits it is conveying. Finnish managers perceive outcome solely in terms of joint product development. The Finns are the most relationship oriented of the three nations being the most collectivist and feminine. They also have a smaller power distance than the French which enables communication to occur unbounded by etiquette. These qualities encourage

perhaps a greater desire for a mutually satisfying relationship and less emphasis on a direct beneficial outcome such as competitive advantage. The three nations need to be aware of what they expect from relationships so they can interact effectively with domestic companies who will culturally be functioning the same way. In addition they need to be aware of what companies from different countries require from relationships in order for them to cater their offering accordingly. For example a Finnish company intent on working together on a product might find it difficult interacting with a British company which is mainly intent on maximizing its own competitive advantage.

All of the three countries found trust and problem resolution to be the process variables which distinguished between successful and problematic relationships. Research is needed to identify how the level of trust and problem resolution can be increased as this could enable the mangers to change the nature of the relationship. Can a problematic relationship be changed into a successful relationship by increasing the levels of trust or problem resolution? Can a change in these variables move a successful or problematic relationship from one relationship category to another? A vast amount of research has been carried out investigating trust between organizations, how to define it, how to measure it etc. but there is little practical advice on how to establish and build it. The same applies to problem resolution. Blois (1999) believes that trust is not something which can be consciously established. However within a business context he also states that it is possible to create conditions in which trust can develop. Companies can provide measures of their capabilities and reliability through independent quality checks. If the company states it can perform physical task to a certain standard and does so then it is perceived as being reliable and reliability may be a component or precursor to trust. Research needs to be performed to investigate how problem solving can be established and built upon within relationships. Hakansson, Johanson and Wootz (1976) suggested that suppliers aimed to solve buyer's problems through their products. By increasing, maintaining constant or reducing the degree of need, transactions and/or market uncertainty the suppliers would encourage the buyers to make a purchase and solve their problem. This research concentrates on the suppliers' perspective; it does not take into account the buyers' perspective. Further research is necessary to determine which parties in a relationship take responsibility for resolving problems. Also how does problem solving differ between problematic and successful relationships; is it simply that problem solving is utilised in successful relationships but not in problematic ones? What are the key problem solving skills and can they be taught to employees?

There is a problem with the misclassification of relationships. Firstly there is a problem in that more problematic relationships are misclassified than problematic. This may be due to the managers' past experience with the relationship. In the past the relationship may have been problematic but over time it has gradually become successful. However the past perception and reputation of the relationship lingers and it continues to be perceived as problematic. A similar thing may happen but to a lesser degree with the successful relationships. Some relationships may continue to be perceived as successful despite the fact they are foundering in some way. The degree of misclassification varies across nationalities. The Finns misclassify the most relationships followed by the British then the French. It is possible that the misclassified relationships could be with foreign companies. The Finns emphasise close relationships and may expect the same emphasis from their counterparts. However cultures differ across countries and whilst the relationship is essentially successful, because the Finns may not have achieved the closeness in the relationships they may feel that there is an underlying problem somewhere. This would explain why they misclassify a number of problematic relationships which are in fact successful. The reverse of this problem may be occurring for the British who are possibly obtaining what they want in terms of outcome from the relationship so it is successful but their counterparts who may want more from their relationships are not totally satisfied and perhaps creating a few minor problems. Interestingly the French are misclassifying relatively few of their relationships which may be due to them having a balance between being relationship oriented and having a certain degree of formality in the relationship which enables them to retain their objectivity.

Conclusion

The research has provided a number of variables with which to develop a relationship portfolio model and highlight a number of relationship typologies. Companies need to be aware of the cultural influences which affect how successful and problematic relationships are perceived by other nations and take them into consideration when they are dealing with foreign companies. A considerable amount of research needs to be performed in order to enable managers to be able to move their relationships from one category to another. On the process dimension companies need to know how their counterparts define competitive advantage and what they expect from joint product development. Companies also need to develop their problem resolution skills and learn how to build trust in order to reduce problems with the process of their relationships. This knowledge will enable them to identify problems with their relationships and proactively contribute to moving them towards the relationship category desired.

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