

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

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Classifying Relationships as Successful and Problematic: Theoretical Perspectives and Managers' Views.

ABSTRACT

Managers have to cope with a wide variety of different relationships as part of their day-to-day work and there is increasing interest in the theoretical and practical challenges relating to relationship management. A number of supplier and customer portfolio models have been developed which attempt to provide categorisation frameworks and relationship analysis criteria. Inevitably a wide range of criteria have been suggested although relatively little empirical research has been carried out to test their validity and relative importance.

In the research reported here, a different approach is adopted with the objective of trying to better understand what are the key elements of successful vs. problematic relationships. If these key elements can be identified, it should be an important contribution to the development of more robust management thinking and action.

The research we report is based on suppliers' and buyers' perceptions of their successful and difficult dyadic relationships. Process issues such as trust and commitment which have been central to relationship atmosphere (Wilkinson et al

1994, Young et al 1997) are examined, as are outcome variables such as competitive advantage. Interestingly, the results show that problematic is not a synonym for failure, and that successful does not always imply being easy to manage. It is argued that relationship management needs a thorough analysis of both process and outcome variables.

INTRODUCTION

Over the past twenty years a number of relationship portfolio models (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al. 1987, Krapfel et al. 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997) have been developed with the aim of conceptualising and providing a framework for managing supplier and customer relationships. A basic proposition is that relationship management is critical in order to obtain competitive advantage. Traditionally, research in 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. This research takes an alternative perspective. Managers 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. The objective of this piece of research is thus to compare the results obtained to previous theories, and also to determine whether they could form the basis of a relationship portfolio model that can be readily applied by managers.

A REVIEW OF PAST RELATIONSHIP PORTFOLIOS 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	✓				✓	
Difficulty managing relationships	✓				✓	
Attractiveness	✓	✓			✓	
Strength of relationship	✓				✓	
Growth rate of customer's market		✓				
Competitive position		✓				
Net price			✓			✓
Cost to serve			✓			✓
Interest commonality				✓		
Relationship value				✓		✓

[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 additional 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 varies substantially between academics. 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). We can thus see that the perception of what variables are important in assessing relationships varies substantially between researchers.

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 of relationships

which differs due to the different number of variables used in each of the models. 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, they are of little practical use for a more detailed analysis. In order to produce clearly defined clusters, 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 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 (Krapfel et al. 1991,

Olsen and Ellram 1997) provide any guidance on what to do with the results of a portfolio analysis. 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 forthcoming).

THEORETICAL CONSIDERATIONS

This paper investigates managers' perceptions of relationships and investigates what variables they use to categorise them into successful and problematic relationships. We hypothesise that managers consider two general dimensions when determining whether a relationship is successful and problematic, the *process* and the *outcome*. 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 either process or outcome variables were included in portfolio models but not both simultaneously (See Table 1). Figure 1 demonstrates how the two dimensions of process and outcome might be integrated.

Figure 1: The Successful-Problematic Matrix of Relationships

Successful	2 Easy Under Performer	4 Smooth Achiever
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 relationship is the top performer.

There is 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.

Relationships are dynamic in nature, and therefore just because a relationship 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.

THE RESEARCH OBJECTIVES AND METHODOLOGY

The research reported here is part of a wider, international project investigating changes in the environment affecting business interactions and relationships. A number of theories of relationship management (Fiocca 1982, Campbell and Cunningham 1983, Shapiro et al 1987, Krapfel et al 1991, Olsen and Ellram 1997, Turnbull and Zolkiewski 1997) have been developed resulting in the classification of relationships into categories academics have deemed as successful or problematic. This research takes an alternative perspective, asking the managers to define a successful and problematic relationship and analyses what process and outcome variables are important.

Research Objectives

The aims of this study are,

1. To determine how successful and problematic relationships differ in terms of variables such as the monetary value, the number of departments and people involved, the duration of the relationship, the relationship atmosphere etc.

- Successful relationships will be “worth” more in monetary terms than problematic relationships i.e. they will offer greater monetary value in terms of either sales or purchase.
- Successful relationships are expected to be longer in duration than problematic ones because they are easier to manage and have a better outcome.
- The number of people involved will be less for successful relationships than problematic relationships as they are easy to manage and require fewer resources. Alternatively successful relationships may have a greater number of people involved as they have a greater amount of resources invested in them.

- The number of departments involved is expected to be fewer for successful relationships as presumably the interactions will be easier to manage if fewer departments' requirements have to be satisfied.
- Successful relationships are expected to demonstrate a greater degree of trust, commitment, cooperation and problem resolution than problematic relationships and less use of power and competitiveness.

2. To determine whether the matrix in Figure 1 is a suitable framework for categorising successful and problematic relationships as perceived by the managers.

It is expected that the cross tabulation of a process and outcome variable will reveal that the majority of successful relationships will fall into the Smooth Achiever category, with some falling into the Easy Under Performer and Rough Ride categories. Theoretically, none should fall into the Problem Child category. The majority of the problematic relationships will fall into the Problem Child category, with some falling into the Easy Under Performer and Rough Ride category. Theoretically, none should fall into the Smooth Achiever category.

3. To determine whether process and/or outcome variables are used by managers to assess whether a relationship is successful or problematic and if so do the variables produce the expected categorisation of successful and problematic relationships as mentioned above.

METHODOLOGY

There were two stages to this research project. The first was 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, a postal survey yielding results from 107 managers from auto/electrical component manufacturers, financial services and telecommunications industries. These industries were selected to represent a traditional, established sector, a service sector and a newly developing sector. 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 guidelines for selecting relationships in order to prevent the researchers imposing their theoretical framework on the respondents.

Operationalisation of the Variables

As the research reported in this paper, relating to the characteristics of successful and problematic relationships, is only a small part of an international project only the operationalisation of the pertinent variables is described.

- *The importance of the relationship in terms of monetary value* - Relationships with greater monetary value may be perceived as more successful than relationships with a lower monetary value. Companies which are providing a substantial amount of business in terms of monetary value may be more demanding and therefore more problematic. This was an open-ended question.

- *The duration of the relationship* -The duration of the relationship may affect the managers' perceptions of whether a relationship is successful or problematic. A well-established relationship may be perceived as more successful than a younger one, a perception which may continue even though a long-term relationship is in decline. The duration of the relationship was measured by an open-ended question.
- *The number of types of relationship and links with successful/problematic company* - A successful relationship may have more links, implying they have made substantial investments in the relationship. However, substantial investments may lead to a company increasing their demands and being perceived as problematic. The respondents were asked to select the options which applied to their relationships from a list and add others which may have been omitted.
- *The number of departments and people involved in the relationship* - A straightforward relationship which runs smoothly may involve fewer departments and fewer people than one which is problematic. In a problematic relationship extra departments and people may become involved as more information is required from various additional sources to resolve the problems. These items were each measured by an open-ended question.
- *Direct value creation* - In this study the direct value-creation is measured as the ratio between the supplier's/customer's business and the overall turnover of the company/division/SBU (Walter et al 2000). Successful relationships are expected to have a greater degree of direct value than problematic relationships.
- *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 answer option for the three items was a scale from 1-No benefit to 5 Great benefit. Successful relationships are expected to have a greater degree of indirect value than problematic relationships.

- *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. Successful relationships are expected to convey a greater degree of competitive advantage than problematic relationships.
- *Difficulty managing the relationship* – One item asked the respondents how difficult they found relationship management and the answer option was a scale from 1-Not at all difficult to 5-Extremely difficult. Successful relationships were expected to be easier to manage than problematic relationships.
- *Relationship atmosphere* – The relationship atmosphere is expected to vary between successful and problematic relationships. Successful relationships are expected to have a greater degree of trust, commitment, co-operation and problem resolution ability and be less competitive and less inclined to use their power. Trust was measured using 17 items, commitment 19 items, powerfulness 12 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

Table 1 shows the reliability of composite measures of relationship variables as identified in the research. All of these measures are reliable given the results of the Cronbach alphas obtained using SPSS (recommended minimum acceptable level 0.7) (Nunnally 1978).

Table 1
Reliability of Measurements

Measure	Cronbach Alpha
Indirect Value Creation (3 items)	0.844
Trust (17 items)	0.953
Commitment (19 items)	0.949
Powerfulness (12 items)	0.7557
Cooperation (3 items)	0.729
Competitiveness (2 items)	0.8012
Problem resolution (2 items)	0.7275

In the following section these variables and their interaction with the two types of relationships are discussed.

The Characteristics of Successful and Problematic Relationships

As shown in Table 2, there is no significant difference between successful and problematic relationships with regard to their monetary value i.e. sales/purchases, the number of departments and people involved. There was no significant difference between number of relationship classifications and the number of formal.

Table 2

The Characteristics of Successful and Problematic Relationships.

Variable	Successful Relationships	Problematic Relationships	t-test df sig
Sales /Purchase volume in £s per annum (millions)	10.75 sd73.1 n=67	2.84 sd15.2 n=62	-.834 127 .406
Duration of relationship	7.73	6.18	-1.987

(years)	sd6.24 n=95	sd4.09 n=90	183 .048*
Number of departments in the respondent's company involved in the relationship	3.00 sd 1.32 n=91	3.04 sd 1.22 n=92	-.231 181 .818
Number of people from the respondent's company involved in the relationship	10.77 sd 17.74 n=98	9.61 sd 16.04 n=93	-.470 189 .639

[* - sig. at 0.05 level]

However, and not surprisingly, problematic relationships are significantly (0.05) shorter than successful relationships but it is noteworthy that they are still on average 6 years old. This suggests that although problematic relationships may naturally die a bit earlier than successful ones, possibly due to a lack of investment in them, it may still be useful for a company to persevere with a difficult relationship. Alternatively, at the beginning of a relationship teething problems will occur but as it matures the interacting parties may be driven apart by these difficulties or they become familiar with how each other will react in various situations.

Value Creation and Competitive Advantage

Table 3

The Levels of Value Creation and Competitive Advantage in Successful and Problematic Relationships

	Value Creation (direct)	Value Creation (indirect)	Competitive advantage
Successful	0.061	2.72	3.63
Problematic	0.038	1.88	2.32
T-test Sig.	.000**	.000**	.000**

[** - sig. at 0.01 level]

It can be observed from Table 3 that in general successful relationships offer significantly more direct and indirect value and competitive advantage than problematic relationships. With regard to direct value, the companies in successful relationships obtain a greater proportion of their business from the relationship i.e. the

relationships are “worth” more to the respondents. As expected, successful relationships have significantly more indirect value; they are likely to involve joint product development and/or benefits from innovation and/or greater market access. Successful relationship’s greater degree of indirect value may contribute to explaining the significantly greater competitive advantage they have over problematic relationships.

Relationship Atmosphere

Table 4

A Comparison of Successful and Problematic Relationships’ Relationship Atmosphere

	Trust	Commitment	Power	Cooperation	Competitiveness	Problem resolution
Successful	3.57	3.97	2.99	3.34	2.11	3.74
Problematic	2.52	2.86	3.06	2.67	3.02	2.46
T-test sig.	.000**	.000**	0.416	.000**	.000**	.000**

[** - sig. at 0.01 level]

It can be observed from Table 4 that aspects of the relationship atmosphere significantly differ between successful and problematic relationships. As expected, successful relationships have a greater degree of trust, commitment and cooperativeness; they are also less competitive with a greater willingness to resolve problems. Interestingly there is no significant difference between successful and problematic relationships with regard to power which may be indicative that companies in problematic relationships are not abusing their power. However in problematic relationships competition is significantly greater. In problematic relationships the respondent is dealing with quite a competitive company who may be reluctant to get too close to the respondent therefore they may only exchange the

necessary information and cooperation may be minimal. This is likely to create an atmosphere between the parties which contains little trust or commitment. The lack of closeness and cooperation may also make it very difficult to resolve any problems which reinforces the lack of trust and commitment as shown in the figures in Table 4 above.

Wilkinson and Young (1994) and Young and Wilkinson (1997) used high and low cooperation and commitment to produce a typology of relationships. The successful relationships (See Table 4) are equivalent to a low competition, high cooperation relationship which is often perceived as the “ideal” relationship that firms aim to develop towards. Low competition, high cooperation relationships are often committed and long term as are the successful relationships in this research (See Table 4 and Table 2). The problematic relationships according to the figures in Table 4 are equivalent to Wilkinson and Young’s (1994) and Young and Wilkinson (1997) low cooperation and high competition relationship which are seen as the classic “poor” and/or eroding relationship.

Classifying the Successful and Problematic Relationships

It was suggested earlier that managers assess their relationships on the process and the outcome variables. In this study the process variable is measured by the difficulty of managing the relationship and the outcome variable is measured by the degree of competitive advantage. Using the proposition mentioned earlier, that managers broadly assess relationships by process and outcome, a cross tabulation was created to determine whether the successful and problematic relationships followed the anticipated pattern. The vast majority of successful relationships were expected to fall

into the Smooth Achiever category and none in the Problem Child category whereas for problematic relationships the majority were expected to fall into the Problem child and none in the Smooth Achiever. Some successful and problematic relationships were expected to fall into the Easy Under Performer and Rough Ride categories. Table 5 shows that not all of these assumptions were supported.

Table 5

Categorisation of the Successful and Problematic Relationships into the Proposed Matrix

Easy to Manage	<i>Easy Under Performer</i> Problematic: 35.6% (31) Successful: 6.2% (6)	<i>Smooth Achiever</i> Problematic: 19.5% (17) Successful: 51.5% (50)
Difficult to Manage	<i>Problem Child</i> Problematic: 26.4% (23) Successful: 6.2% (6)	<i>Rough Ride</i> Problematic: 18.4% (16) Successful: 36.1% (35)
Process Outcome	No Competitive Advantage	Considerable Competitive Advantage

With regard to successful relationships Table 5 shows that,

- As expected the majority of successful relationships fall into the Smooth Achiever category, although a lower percentage (51.5%) than might be expected.
- A third of the successful relationships fall into the Rough Ride category, i.e. these relationships offer considerable competitive advantage but are quite difficult to manage.
- Only 6.2% fall into the Easy Under Performer category.
- Surprisingly, some supposedly successful relationships fall into the Problem Child category. These relationships offer little competitive advantage and are also difficult to manage.

Table 5 also reveals that,

- Although the majority of problematic relationships were expected to fall into the Problem Child category, the problematic relationships are relatively evenly distributed across the four categories. A relationship does not have to have both a problematic process and outcome for it to be perceived as problematic. If either the process or outcome is creating difficulties then it may be classified as problematic. However some relationships are still defined as problematic despite having a good outcome and process.
- Only 26.4% fell into the Problem Child category.
- The categories for Easy Under Performer and Rough Ride are fairly similar with 35.6% and 36.1% respectively.
- Surprisingly 19.5% of problematic relationships fall into the Smooth Achiever category. It seemed axiomatic that relationships in this quadrant could not fail to be perceived as successful.

The Process and Outcome Variables that Distinguish Successful and Problematic Relationships.

A stepwise discriminant function analysis was performed including the variables shown in Appendix 1. The aim being to find out what variables are the most useful for distinguishing between successful and problematic relationships and are they process and outcome variables.

Table 6

The Variables that Predict Successful or Problematic Relationships

	Tolerance	F to remove	Wilk's Lambda
Trust	.810	13.037	.347
Competitive advantage	.936	12.490	.344
Problem resolution	.859	5.443	.310

(n=63)

Table 7

Classification of the Successful and Problematic Relationships Using the Variables Trust, Problem Resolution and Competitive Advantage

Successful or Problematic	Predicted Group Membership		Total Number of Respondents
	Problematic	Successful	
Count Problematic	66	9	75
Successful	8	77	85
% Problematic	88.0%	12.0%	100
Successful	9.4%	90.6%	100

From Table 6 it can be observed that the variables which were found to have a significant role in predicting whether a relationship was successful or not were the degree of *competitive advantage* gained, *trust* and *problem resolving ability*. Competitive advantage is an outcome variable and trust and problem solving capability are both process variables, i.e. they both make the relationship easier to manage. 88% of the problematic relationships were correctly predicted and 90.6% of the successful relationships were correctly predicted by competitive advantage, trust and problem resolving ability (See Table 7).

The original matrix, using trust as the process variable and competitive advantage as the outcome variable can be used to find out how the successful and problematic relationships are categorised (See Table 8).

Table 8

A Cross Tabulation of Trust and Competitive Advantage with Successful and Problematic Relationships

Low Level of Trust (0-2.99)	<i>Easy Under Performer</i> Problematic: 10.7% (n=8) Successful: 10.3% (n=9)	<i>Smooth Achiever</i> Problematic: 10.7% (n=8) Successful: 75.9% (n=66)
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High Level of Trust (3-5)	<i>Problem Child</i> Problematic: 50.7% (n=38) Successful: 2.3% (n=2)	<i>Rough Ride</i> Problematic: 28.0 (n=21) Successful: 11.5% (n=10)
Process	No Competitive Advantage	Considerable Competitive Advantage
Outcome		

[Trust is measured on a scale from 1-5, the higher the score the greater the degree of trust]

It can be observed from Table 8 that,

- As expected the vast majority of successful relationships fall into the Smooth Achiever category with a few falling into the Easy Under Performer and Rough Ride and only 2.3% falling into the Problem Child category.
- The majority of problematic relationships fall into the Problem Child category as would be expected but a considerable amount fall into the Rough Ride category and a few fall into the Easy Under Performer and Smooth Achiever categories.

Using trust as opposed to difficulty managing relationships as the defining process variable produces greater classification of the successful and problematic relationships in the categories as hypothesised i.e. in Table 5, 51.5% of successful relationships are classified as Smooth Achievers whereas in Table 8, 75.9% are placed in the Smooth Achiever category. In Table 5, only 26.4% of problematic relationships are classified as Problem Child relationships whereas in Table 8, 50.7% are classified as such.

The original matrix, using problem resolution as the process variable and competitive advantage as the outcome variable can be used to find out how the successful and problematic relationships are categorised (See Table 9).

Table 9

A Cross Tabulation of Competitive Advantage and Problem Solving Ability for Successful and Problematic Relationships.

High Problem Resolving (0-2.99)	<i>Easy Under Performer</i> Problematic: 20.2% (n=17) Successful: 11.7% (n=11)	<i>Smooth Achiever</i> Problematic: 14.3% (n=12) Successful: 79.8 (n=75)
Low Problem Resolving (3-5)	<i>Problem Child</i> Problematic: 41.7% (n=35) Successful: 1.1% (n=1)	<i>Rough Ride</i> Problematic: 23.8% (n=20) Successful: 7.4 (n=7)
Process	No Competitive Advantage	Considerable Competitive Advantage
Outcome		

[Problem solving is measured on a scale from 1-5, the higher the score the greater the willingness to solve problems]

It can be observed from Table 9 that,

- The vast majority of successful relationships were classified as expected in the Smooth Achiever category, with a few in the Easy Under Performer and Rough Ride categories and only 1.1% in the Problem Child category.
- Although a substantial number of the problematic relationships are classified as Problem Children; it is not the majority as expected. There are a considerable number of problematic relationships classified as Easy Under Performers and Rough Rides and unexpectedly 14.3% are classified as Smooth Achievers.

The use of problem solving ability as the process variable is more successful than the difficulty in managing relationships (See Table 5) in yielding expected results but not quite as successful as trust (See Table 8).

When both of the process variables and the outcome variable are used to categorise the successful and problematic relationships eight typologies are produced (See Table 10).

Table 10:

The Successful-Problematic Relationship Matrix

PROCESS		OUTCOME	
Trust	Problem Solving	Low Competitive Advantage	High Competitive Advantage

High Trust	High Problem Solving	<i>Easy Under Performer</i> Problematic: 1.3% (1) Successful: 10.6% (9)	<i>Smooth Achiever</i> Problematic: 5.3% (4) Successful: 68.2% (58)
	Low Problem Solving	Problematic: 9.3% (7) Successful: 0%	Problematic: 5.3% (4) Successful: 7.1% (6)
Low Trust	High Problem Solving	Problematic: 20.0% (15) Successful: 1.2% (1)	Problematic: 10.7% (8) Successful: 10.6% (9)
	Low Problem Solving	<i>Problem Child</i> Problematic: 30.7% (23) Successful: 1.2% (1)	<i>Rough Ride</i> Problematic: 17.3% (13) Successful: 1.2% (1)

The original four typologies are encompassed in the eight typologies, the Problem Child has low competitive advantage and a difficult process i.e. low trust and problem resolution, the Easy Under Performer has low competitive advantage and an easy process i.e. high trust and problem resolution, the Rough Ride has high competitive advantage and a difficult process i.e. low trust and problem resolution and the Smooth Achiever has high competitive advantage and an easy process i.e. high trust and problem resolution. The process variables for the four remaining typologies are mixed i.e. they have a high degree of trust and low problem resolution or vice versa.

Using this categorisation the majority of successful relationships fall into the Smooth Achiever as expected. Approximately 10% of the successful relationships fall into each of the categories where two out of the three variables are positive i.e. the Easy Under Performer, high competitive advantage and trust and low problem resolution, high competitive advantage and problem resolution and low trust (See Table 10). Very few (1.2%) successful relationships fall into the remaining categories where there are two negative variables out of the three.

The majority of problematic relationships would be expected to fall into the Problem Child category however only 30.7% do. When two out of the three variables for the

category are negative there is a greater number of problematic relationships (9.3%-20.0%). Few problematic relationships fall into categories with two or more positive variables (See Table 10).

DISCUSSION

The initial suggestion that difficulty managing relationships and competitive advantage, were process and outcome variables, used by managers to assess and categorise relationships was partially wrong as they yielded some unexpected results. For example some successful relationships fell into the Problem Child category and equally surprising was the categorisation of some problematic relationships as Smooth Achievers.

Discriminant function analysis confirmed the theoretical proposition that managers perceive relationships in terms of process and outcome. The outcome variable that was used to distinguish between successful and problematic relationships was competitive advantage as expected. However, more than one process variable, trust and problem resolving ability were found to distinguish between successful and problematic relationships. The use of a process variable, trust or problem solving with competitive advantage resulted in the successful and problematic relationships being categorised in the four typologies largely as expected. The use of two process variables, trust and problem solving with competitive advantage also resulted in the relationships being categorised in the eight typologies as expected. However, the use of the eight typologies revealed that a relationship was more likely to be perceived as

successful if two of the three categorisation variables were positive and the same applies to relationships perceived as negative.

Relationship atmosphere variables such as trust and problem solving have not been used in portfolio models in the past. The notion of competitive advantage has also not been used in past portfolio models, but 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). A relationship portfolio model incorporating trust, problem solving and competitive advantage would suffer from many of the same problems as those in the past. As the variables are subjective there are problems with definition and measurement. Trust for example has a number of definitions (Schurr and Ozanne 1985, Dwyer, Schurr and Oh 1987, Anderson and Weitz 1989, Moorman et al. 1992, Morgan and Hunt, 1994). Differing definitions of variables will effect the perception of how successful or problematic a relationship is, as Turnbull and Topcu (1994) and Yorke and Droussiotis (1994) found.

Underlying the three subjective variables of trust, problem solving and competitive advantage, there are potentially a number of other constructs. The relationship of commitment, co-operation and competitiveness, all of which differed significantly between successful and problematic relationships, to the three main variables mentioned above is open to debate (Morgan and Hunt 1994; Geyskens et al. 1998; Berghall 1998; Wetzels et al 1998; Sutton-Brady 2000). Knowledge of the antecedents of the main variables is important as they will influence managers' interpretations of what constitutes a successful and problematic relationship.

There is a grey area for both the 4 and 8 typologies with regard to the categorisations. Both successful and problematic relationships may be classified as “Easy Under Performers” and “Rough Rides” also a few problematic relationships are “misclassified” as “Smooth Achievers” and a few successful relationships are “misclassified” as “Problem Children”. One explanation of this grey area may be the effect of the history of the relationship. The past history of Easy Under Performers and Rough Rides may influence whether they are perceived as successful or problematic. For example a successful “Easy Under Performer” or “Rough Ride” may have been a “Smooth Achiever” in the recent past and this may lead to the continued perception that it is successful. The past perceptions of the relationship continue to influence current perceptions of the relationship even if the nature of the relationship has changed. Managers may continue to perceive a relationship as successful even if the competitive advantage decreases or the level of trust and willingness to solve problems decreases. Some perceived problematic relationships are “misclassified” as Smooth Achievers and some perceived successful relationships are “misclassified” as Problem Children. More problematic relationships are “misclassified” than successful relationships. There is an inconsistency between the hard data and the managers’ perceptions of these relationships. The data suggests that managers are more likely to continue holding a negative perception of a relationship than a positive one i.e. managers are more likely to continue anticipating problems in a relationship that is actually running smoothly rather than maintain the perception that a relationship is going smoothly when problems are occurring. It is easier for managers to recognise when relationships are going wrong than when they are becoming more successful. If relationship history is effecting managers’ perceptions of relationships then it raises the question of how long does the past history of a relationship continue to have an

effect even if the relationship has fundamentally changed. As most of the relationships are categorised as expected, history is not a major factor but it needs to be recognised as influencing managers' perceptions.

A good relationship portfolio model should enable managers to identify the category of relationship and determine whether to maintain its current position or to change the category of the relationship to the one desired. If the amount of trust in a relationship could be increased how would it effect the manager's perception of that relationship? For example would a problematic Problem Child relationship become an Easy Under Performer, would a problematic Rough Ride become a Smooth Achiever, if so would they still be perceived as problematic or would the perception have changed so they become successful? An increase in trust may make difficult relationships easier to manage. In the long term an increase in trust may increase the competitive advantage, a company may increase the business they give to an Easy Under Performer, whether it then turns into a Rough Ride or Smooth Achiever will be determined by additional factors. A vast amount of research has been carried out investigating trust between organisations, how to define it, how to measure it etc. with a limited degree of consensus but there appears to be little practical advice on how to establish and build it. Blois (1999) believes that trust is not something that can consciously be 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 that it can perform a physical task to a certain standard and does so then it is perceived as being reliable and reliability may be a component or precursor of trust.

Problem solving also distinguishes between successful and problematic relationships, with 65.5% of problematic relationships having low problem solving capability compared to only 8.5% of successful relationships. Further research could be carried out to investigate the differences between successful and problematic relationships with regard to their problem solving skills, do they use different skills, are a greater number of skills used in successful relationships than problematic ones? If successful relationships use more skills or different skills, training could be used to enhance employees' problem solving skills. Could an increase in problem solving skills lead to a change in the manager's perception of the relationship from problematic to successful in the same category and maybe even in addition move it to a different relationship category. As trust and problem solving are subjective variables, competitive advantage needs to be objective to provide a clear focus of how the relationship is performing currently, this may make managers consider the relationship in its current context without relying on its history too much which may effect their perceptions.

Two of the three variables, competitive advantage, trust and problem resolution, are generally perceived positively for a relationship to be classified as successful. As competitive advantage is a more objective variable and would require the co-operation of the supplier or customer it may be difficult to change the manager's perception of it. Trust and problem resolution are more subjective and the company can work on them in order to convey a more trustworthy image and/or a greater willingness to resolve problems. The ability of a company to successfully resolve problems may lead the supplier or customer to increase their trust in them.

Research in the future needs to concentrate primarily on clarifying the definition and measurement (Leek and Turnbull 2001) of the variables highlighted as being important in distinguishing between successful and problematic relationships i.e. trust, problem solving and competitive advantage. When the definitions and measurements of these concepts are clear, investigations could be performed to determine whether qualities such as trust and problem solving ability can be increased and how are the perceptions of the relationships effected. Research also needs to establish if companies can manage their relationships more efficiently on a macro-level through understanding trust, problem solving and competitive advantages. Can the level of problem resolution and trust be consciously increased in a relationship and if so how are the manager's perceptions affected? In this paper both four and eight relationship categories have been highlighted, further research could be performed to find out which of the two versions would be more useful to managers and why.

CONCLUSION

Managers distinguish between successful and problematic relationships using the variables, competitive advantage, trust and problem solving ability. This confirms the hypothesis that managers look at relationships in terms of process and outcome. Competitive advantage, trust and problem solving have not been combined in a relationship portfolio model before. Research needs to clarify these constructs and to determine whether trust and problem solving ability can consciously be increased and if so how does it affect manager's perceptions of relationships and help them manage them more efficiently. The overall aim is to obtain a greater understanding of how managers deal with the reality of managing relationships and develop a portfolio model which will help them achieve their aims.

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APPENDIX ONE: Operationalisation of the Variables

- The nationality of the successful/problematic company
 - The importance of the relationship in terms of monetary value
 - The duration of the relationship – The duration of the relationship to date.
 - The number of types of relationship with the successful/problematic company
 - The number of links with successful/problematic company
 - The number of departments involved in the relationship
 - The number of people involved in the relationship
 - Whether the company measures the profitability – Yes/No answer options
 - Direct value creation -. In this study the direct value-creation is measured as the ratio between the customer’s business and the overall turnover of the company/division/SBU (Walter et al 2000).
 - Indirect value creation - Measured by asking the respondents about the degree of benefit that their firm obtains from the relationships under question, in terms of joint product development, innovation and market access. The answer option was a scale from 1-No benefit to 5 Great benefit.
 - The degree of competitive advantage – Measured by 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.
 - Difficulty managing the relationship – The answer option was a scale from 1-Not at all difficult to 5-Extremely difficult.
 - Joint product development, Innovation, Market access – Measured by “From each relationship did your company obtain any benefit with regard to a) collaborating on joint product development, b) innovation and c) obtaining greater market access?” Respondents rated the degree of benefit obtained on a 5 point scale from 1-No benefit to 5- Great benefit.
- **Trust**
 - Even when the customer gives us a rather unlikely explanation we are confident that it is telling the truth.
 - The customer has often provided us information that has later proven to be inaccurate.
 - The customer usually keeps the promises that it makes to our firm.
 - Whenever the customer gives us advice on our business operations we know that it is sharing its best judgement.
 - Our organization can count on the customer to be sincere.

- Though circumstances change, we believe that the customer will be ready and willing to offer us assistance and support.
- When making important decisions, the customer is concerned about our welfare.
- When we share our problems with the customer, we know that they will respond with understanding.
- In the future, we can count on the customer to consider how their decisions and actions will affect us.
- When it comes to things that are important to us, we can depend on the customer's support.
- Promises made by this customer are reliable.
- This customer has made sacrifices for us in the past.
- This customer cares for us.
- We feel we can trust this customer completely.
- Business with this customer is usually based on mutual trust rather than legal agreements.
- We are convinced that this customer can handle confidential information from us.
- We feel this customer is looking out for our interests.

15. Commitment

- We like being associated with this customer.
- We genuinely enjoy our relationship with this customer.
- Our positive feelings towards the customer are a major reason we continue working with them.
- We expect our relationship with the customer to continue for a long time.
- The renewal of our relationship with the customer is virtually automatic.
- It is unlikely that our firm will still be doing business with this customer in two years.
- If the customer requested it, we would be willing to make further investment in supporting the customer's line.
- They are willing to put more effort and investment into building their business in our product.
- Our relationship with this customer is a long-term alliance.
- In the future we will work to link our firm with the customer's in the customer's mind.
- We expect our relationship with this customer to continue for a long time.
- We do not expect our relationship with this customer to strengthen.
- We expect to increase business with this customer in the future.
- We have invested a lot of effort in the relationship with this customer.
- We are committed to this customer.
- This customer is committed to a long-term relationship with us.
- The relationship with this customer can be described as a partnership.
- We are not willing to put in considerable effort and investment into building our business with this customer.
- This customer is like a friend.

16. Powerfulness

- This customer provides resources my firm would find difficult to obtain elsewhere.

- It would be difficult for my firm to replace this customer.
- Compared to other customers, this customer provides above average amount of business to my firm.
- There are many alternative customers for the products we sell to this customer.
- The next best alternative customer would be just as valuable to my company.
- There are many customers that have the same value to my company as this customer does.
- We have the upper hand in this relationship.
- We have a feeling of being trapped in our relationship with this customer.
- We have a feeling of independence in our relationship with this customer.
- The customer has adversely affected our relationships with other customers.
- There are other companies available to this customer who sell product lines comparable to our own.
- The customer is dictatorial.
- In our trade area, there are other firms that could provide the customer with comparable service.
- In our trade area, we would incur minimal costs in replacing our customer with another customer.
- It would be difficult for us to replace the sales and profits this customer generates.
- There are other suppliers who could provide the customer with comparable product lines.
- Their total costs of switching to a competitor would be prohibitive.
- It would be difficult for the customer to replace the sales and profits generated by our product lines.

17. Cooperation

- Mostly we give into the buyer's requirements.
- Actual adaptations are more frequently made by us than by the customer.
- Lack of cooperation has caused problems in our relationship.
- We have an intimate and open cooperation with this customer.
- This customer tries to exploit the advantages of our cooperation for his own sake.
- This customer is an important partner in technical cooperation.

18. Competitiveness

- This customer makes false claims.
- This customer has problems answering our questions.

19. Problem resolution

- It is easy to agree on solutions to problems, which arise in this relationship.
- Misunderstandings between the customer and us are rare.

For trust, commitment, power, co-operation, competitiveness and problem resolution the respondents were asked to indicate their degree of agreement or disagreement, on a five point scale with 1 as Strongly disagree and 5 as Strongly agree, 0 was Don't know or not applicable.