Twists and turns of triad business relationship recovery

Anniina Salo,
M.Sc. (Econ. & Bus.Adm.)
Department of Marketing,
University of Oulu,
P.O. Box 4600 FIN-90014
Oulun yliopisto, Finland
anniina.salo@oulu.fi

Jaana Tähtinen,
D.Sc.(Econ. & Bus. Adm.)
Department of Marketing
University of Oulu
jaana.tahtinen@oulu.fi

Pauliina Ulkuniemi
D.Sc.(Econ. & Bus. Adm.)
Department of Marketing
University of Oulu
pauliina.ulkuniemi@oulu.fi

Key words: recovery process, process model, abductive approach, third actors

ABSTRACT

This paper focuses on a triad business relationship recovery processes through a single case study. We address the question of what kind of process needs to take place in order to recover a business relationship on the verge of ending and what is the role of a third actor in the process. As the result, we model a process through which a triad business relationship is recovered and attraction, trust, and commitment are restored.

Twists and turns of triad business relationship recovery

Key words: recovery process, process model, abductive approach, third actors

ABSTRACT

This paper focuses on a triad business relationship recovery processes through a single case study. We address the question of what kind of process needs to take place in order to recover a business relationship on the verge of ending and what is the role of a third actor in the process. As the result, we model a process through which a triad business relationship is recovered and attraction, trust, and commitment are restored.

INTRODUCTION

Relationships have been studied from several viewpoints for a long period of time. The development of relationships (e.g. Ford, Håkansson & Johanson 1986), relationship management (e.g. Andersson & Narus 2004), problem solving and crisis situations in business relationships (e.g. Jehn 1997, Lam & Chin 2005), and dissolution of relationships (e.g. Alajoutsijärvi, Möller, & Tähtinen 2000) have all been topics of interest. The question of why companies should try to save their business relationships from ending has also been an area of study. It has been acknowledged that sometimes companies cannot end even a problematic relationship because of high exit barriers (Tähtinen & Vaaland 2005). Thus, research on recovering relationships on the verge of dissolution is needed. Currently, though, only a few attempts (e.g. Paproidamis, Chumpitaz and Tähtinen 2007, Tähtinen, Paparoidamis & Chumpitaz 2007) have been made to uncover the phenomenon, although Vaaland & Tähtinen (2003) argue that if the satisfaction in the relationship is low, the strategy of recovering the relationship has to be different from a maintenance strategy.

Conducting business in a problematic relationship is neither comfortable nor profitable and it is likely to increase both parties' willingness to end the relationship. If this happens, investments made towards building the relationship are lost. Another annoying consequence is that the company has to start searching for an alternative business partner. Still, there remains a risk that problems can also arise in the new relationship. A vicious cycle of badly managed relationships causes a variety of problems, while continuous searching for alternative business partners is likely to become a burden that overshadows a company's ability to successfully conduct its daily business activities. Moreover, the other actors in the network are likely to be exposed to their own share of inconvenience due to problems in the dyadic relationship (see Alajoutsijärvi et al. 2000). This means that companies have to learn how to recover problematic relationships.

Although of managerial importance, relationship recovery is still an under-researched topic and represents a considerable gap in the literature concerning problematic business relationships. Moreover, the existing studies (i.e. Paparoidamis et al. 2007, Tähtinen et al. 2007) focus on dyadic relationships and leave unstudied the influences that third actors have on the process. As any dyadic relationship is embedded in a network of actors (Anderson, Håkansson &Johanson 1994) their influence also exists during the troubled phases of the relationship and deserves to be studied. Therefore, the aim of this article is to create a model of triad relationship recovery process and detail the actions which may save the relationship.

According to Tähtinen and Vaaland (2005) strong will and effective restorative action is needed in order to recover a business relationship otherwise facing collapse. Thus, this study asks; what kind of process is triad relationship recovery? The research question can be answered via three sub-

questions; i) what are the restoring actions through which a relationship can be recovered?, ii) How does the atmosphere change during the relationship recovery process?, and iii) How do the third actors influence the process?. This study will answer these questions with a model of business relationship recovery process.

The empirical part of this study is a case of a supplier – customer – end customer triad relationship that drifted into problems which almost ended the relationship. The phenomenon is studied with an abductive approach (see Peirce 1998, 226-241) using an explorative single case study. The aim is to generate theory starting strongly from the empirical data collected in the case study. The majority of the data was collected by retrospective interviews with all actors in the triad. Thus, the abductive approach was applied starting with an exploration of empirical data and thereafter using theoretical knowledge to understand the data better.

Following the conduct of the study (first empirical data then theoretical domain), the following sections first present the research methodology applied in the study. After that, the narrative of the case of a recovery process of a triad relationship on the verge of dissolution is described. Following that, the empirical data is analysed by employing the existing knowledge on relationship recovery. During the analysis, the paper builds a model of relationship recovery process. Theoretical and managerial discussions with avenues for future studies conclude the research report.

RESEARCH METHODOLOGY

The purpose of this study is to develop a model of the relationship recovery process, which is, almost an unstudied phenomenon. Although some related literature can be found, e.g. on the development of relationships, problem solving and crisis situations in business relationships and dissolution of relationships, specifically the recovery process has not received research attention. This knowledge, of course formed the pre-understanding when the empirical material was collected and analysed. However, we did not form any theoretical framework beforehand as the previous research on the topic was so scarce. Also, the empirical phenomenon, the recovery process, was considered as relatively easy to define and thus manageable phenomenon to study empirically without any strong theoretical framework prior to the data collection and preliminary analysis. In practice this meant that we wanted to outline the process that is the course of events from the state of problematic relationship to the state of recovered relationship. Another reason for choosing to use a research approach in which the empirical knowledge is taken as a starting point of the analysis was the fact that we were able to identify the particular empirical case. A problematic business relationship was a topic of the local newspaper for quite some time and we were informed about the problematic business relationship also through more personal information channels as well. Thus, the existence and recovery of the particular relationship was quite public locally and therefore arrested our attention.

The existing related theoretical knowledge of the phenomenon under study is used to make sense of the empirical data. Thus, we characterise our research approach as an abductive one. The preliminary understanding of the research phenomenon that abductive research requires (see Kovács and Spens 2005) was acquired through earlier research on business relationship dissolution and ending and by forming a pre-understanding of the empirical phenomenon. We followed the events of the triad through local newspaper reports, at the time they happened. However, in abductive research there are neither priori hypotheses nor advance theorizing of the research topic (Levin-Rozalis 2004) and that is also the case in this study.

In general, case studies allow the development of extensive information about a single entity (Burns & Kaplan 1987, 8). Yin (2003, 39-40, 42) suggests that a single case study is a justified research design if the case is of a revelatory nature and allows the uncovering of a previously inaccessible

phenomenon. This is the case in this study, since relationship recovery remained a relatively unknown phenomenon and no process descriptions of triad relationship recoveries were available. In addition, as Kovács and Spens (2005) report, abduction enables not only the exploration of new phenomenon but also the tying of new results to different contexts. In this research, we started with the empirical data and analysed that in order to describe the triad relationship's recovery process. In other words, narrative data and empirical findings are emphasised along with building a model which describes the recovery process.

Single case design requires careful investigation of a potential case in order to minimise the chances of misinterpretations and to maximise access to allow the collection of case study evidence (Yin 2003, 42). To minimise these risks multiple sources of data were used which provided both source and data triangulation. In addition, it enabled the building of a broader picture of the course of events. The empirical data was collected retrospectively from eight informants through narrative interviews (see Table 1.). The interviews were carried out among the service supplier, the customer and the end users. The interviews were audio taped, verbatim transcribed, and analysed with the help of nodes rising from the data. In addition to the interviews, newspaper stories addressing the events of the case triad were used as secondary data. One of the researchers had intensively followed the case through the local media, especially the events that brought the relationship to the verge of ending, as they occurred. This enabled the researchers to identify the particular relationship for the purposes of this study, while also providing a good background of the case. These newspaper articles were stored and analysed via the same procedure as the interview data. As a result, a multifaceted understanding and thorough analysis of the phenomenon became possible.

Table 1. Sources of data

Form of data	Service provider	Business customer	End user
Interviews	1st Interview with key account manager, 1h 2nd Interview with key account manager, 1h	1st Interview with CEO, 1h 2nd Interview with CEO, 1h Interview with computer mechanic, 50 min	Interview with end user 1 (super user), 1h 10 min Interview with end users 2 & 3 (normal users), 1h 20min
Newspaper articles concerning all parties	Article 1: Problems with university students' internet connections Article 2: University students considering legal actions against the housing company (business customer) because of poor quality of service. Article 3: Housing company looking for new broadband connection provider		
Other material	Report in regional TV news		

The analysis of the empirical data was started by first writing down the historical description of course of events in the recovery process. This enabled us to identify the important events and stages that emerged from the empirical description of the process. Furthermore, we were able to analyse, how the important events and actions in the recovery process were connected to each others. After piecing together what had happened and why we went back to the existing literature and identified the relationship dissolution models where the possibility of recovery was mentioned as well. We took the stages of business relationship ending (Halinen and Tähtinen, 2002) and relationship restoration model (Vaaland and Tähtinen, 2003) as the main guidelines in the further analysis of the identified important events and actions. This was then followed by re-examining the empirical data and afterwards turning back to the existing related literature. In practice the analysis work was conducted manually through making underlining and notes to the printed transcripts.

Next, the case of a triad business relationship recovery is described as a narrative, starting with the triad and the problems in the relationship that created the need for relationship recovery, as well as the actions that then saved the relationship.

DESCRIPTION OF THE CASE RELATIONSHIP

This case regards a triad business-to-business relationship that drifted into problems which almost destroyed it. The first relationship takes place between a service provider and its business customer. In addition, a third actor, namely the end users or customers of the business customer, had a significant influence on the relationship and on the fact that it was driven into troubles. The end users also play an important role in the process of restoring the relationship. Thus, we need to study the whole triad to understand the restoration process as Figure 1 explains.
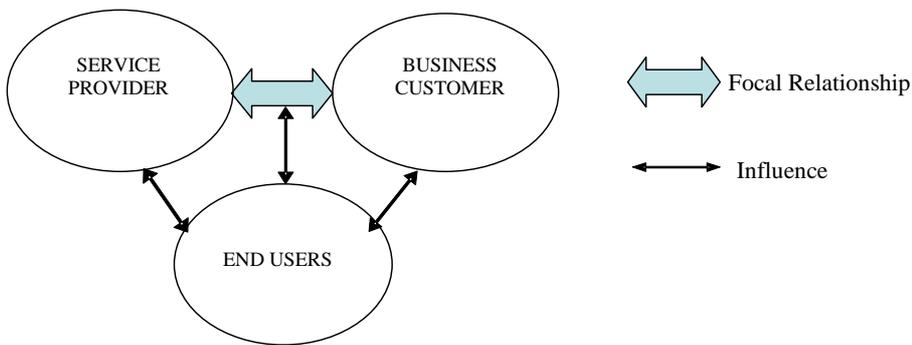
Figure 1. The triad relationship

The service provider is a telecommunication company offering broadband and data transfer services. The business customer is a foundation offering housing services for students. The service provider supplies broadband connections for the business customer's apartments. End users are, for the most, university students that rent and live in the business customer's apartments and for whom a properly working internet connection is highly important. Broadband connections are under heavy use almost all the time and as the number of users is over 3000, the connections and their workability concern a large number of people.

The relationship began after the service provider (SP) was chosen to replace the housing foundation's existing service supplier through competitive bidding. Negotiations between the customer and SP went smoothly as did network building and connection testing. The problems started when the ex-supplier's network was cut down and the internet connections were transferred into the newly built SP's network. Although the network had been tested to take in the user load, there were breaks, the service was slower than expected, and it collapsed easily. Thus, the users started complaining heavily to the housing foundation, since the internet connection was part of the rent they paid. The number of complaints was huge and the foundation needed to work really hard in order to respond to all the complaints. This was a critical period since, for some of the students, a fast and trustworthy broadband connection was the main reason they lived in the housing foundation's apartments. Since broadband connection was included in rent, some students threatened to only pay part of the rent. On top of everything else, students started to question whether they should to move out from the foundation's apartments to other apartments with working network connections.

The customer informed SP of the huge amount of complaints and of the difficulties experienced by the students while trying to use their network connections. Even though SP tried to solve these problems in many ways, the problems continued, and so did the complaints. Moreover, during the rare moments that the network functioned as planned, it became obvious that the original capacity of the network was totally inadequate for the students' needs. Thus, the customer confronted the service provider and demanded that they solve the problems and to start providing the well functioning service they had promised in the contract.

To make the situation even more challenging, it became obvious that the end users' needs and requirements for the broadband connections differed greatly. For some, secure and stable network was enough, for others high speed was essential. Those students that required fast connections knew a lot about data transferring and broadband technology and therefore they demanded high quality service. Both the service provider and the business customer had difficulties in charting the situation and the true quality of service because the "super users" were the loudest complainers. Still both SP and the customer needed to look at the big picture and consider all the users.

Another thing causing exasperation between SP and the business customer was that some of the business customer's employees advised the end users to complain directly to SP. These employees thought that if the service provider were to receive feedback directly from the users then they would better understand the problems. However, this procedure was against the agreement. It had been agreed that in case of a service failure, the users contact the housing foundation that will firstly check that its own half of the network is functioning before contacting SP. The users also asked SP to come and meet them so that they could clarify their viewpoints, but were told that this would not happen. The service provider did not have any need to meet with the students. "They [the service provider] said that this is between the broadband operator [the service provider] and the customer [the housing foundation] and that we are not customers" an end user describes the conversation.

The situation started to resemble a nightmare after the angry users brought the problems into public awareness by contacting media. Newspapers and a local television station seized onto the story and announced it in regional news. This was very inconvenient for both SP and the housing foundation and added to the tension that already existed in the relationship, increasing the willingness of both parties to end their relationship, as pictured in Figure 2.
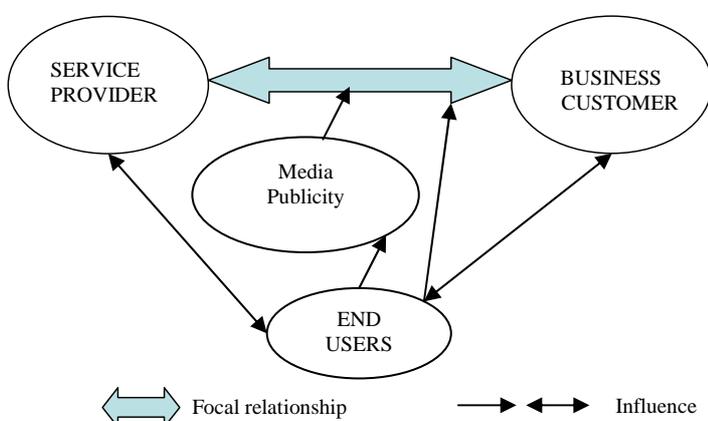

Figure 2. Third Party Influencing the Relationship

Although the problems and problem solving continued, time passed without any improvements. The reason for this was that the root causes for the service failures were hidden in the interface of the networks that neither company felt responsible for. In other words, neither the service provider nor the customer detected problems in their own network and so they both perceived themselves to be acting according to their contract. The atmosphere in their relationship declined because of the accusations, complaints, and increasing negative publicity. Even though the contract period was not even close to termination, both actors perceived that continuing the relationship was practically impossible. At this point, the atmosphere hit rock bottom and the companies discussed the prospect of ending their relationship. However, being in the public eye caused a situation where both parties felt that a failure of the relationship would severely harm their business and reputation.

Communication between SP and the customer was very difficult, but when the contact persons on both sides were changed, these communication difficulties were eased a bit. The problems in the relationship were not the reasons for the personnel changes; however the personnel changes did change the course of events remarkably. The new persons brought with them new insights and also more determination to resolve the issue. Moreover, they did not have the weight of the past on their shoulders, so they were able to focus on solving the situation at hand instead of the critical events in the past.

The customer's new management decided to change the approach to the problem and put the service quality of the broadband connection as their main concern. Since closing down the broadband

connections in the apartments was not an option, and ending the relationship with the service provider had already been discussed, the customer's new management decided to search for an alternative supplier. The customer needed to have an alternative partner before the end of the contract period with the service provider. Thus, the customer opened a call for bids and told the service provider about it. SP was not happy, but did not really have a say in the matter.

As a result of the competitive bidding the customer tested an alternative supplier's broadband service. Surprisingly, it did not meet the end users' requirements at all and was rated worse than the current service. Thus, managers of the customer started to perceive high exit barriers that made switching suppliers difficult, troublesome, time consuming, and laborious. Changing the supplier would have required changes both in the existing hardware and software, not to mention guiding and informing both their own employees and the end users. Every single user would have had to change their computer settings and that would have required setting up a help desk. Personnel and other resources would have been needed and still it would have been very time consuming. In addition, the complexity of the service caused a risk that problems may occur also in the beginning of a new relationship, and there were no guarantees that a new relationship would be any easier to manage.

As a result of the competitive bidding the customer became aware of the technical capabilities of SP as a supplier. On the other hand, SP started to trust the customer's willingness to continue the relationship. High exit barriers and increasing public pressure encouraged both companies to work harder to recover the relationship. An important step was taken when improving the service was given a role of a beacon in discussions instead of quarrelling. This "user focused" insight was new for SP who only now had begun to understand the situation from the end users' point of view. The customer organised a first end user satisfaction survey, which was able to provide the parties with very important information. Though it was clear that the end users perceived the quality of service as poor, the results of the survey helped both parties to understand the end user's needs better.

At this point, the communication between the service provider and the customer had already begun to improve. Moreover, mutual willingness towards conducting business together was higher than before. The parties met frequently and little by little the atmosphere of the relationship began to improve. Still, there were several uncertainties that required considerable attention and many problems had to be solved on a grass-roots level. Thus, the companies spent lot of time and effort in communicating with each other. This helped them to acknowledge and understand each other's business environment.

As a result of intensified discussions, both companies understood that investments in new technological solutions would be needed if the service quality was to be raised. After several meetings and negotiations SP decided to invest in new broadband network management tools. These investments helped considerably to improve the service quality, resulting in more satisfied end users. This decreased both the number of complaints and the pressure of negative publicity and thus further eased the tension in the relationship. There were still some practical problems, but since the communication procedures had been rebuilt and both companies understood each other better, the problems were solved in a short time. After that, the relationship between the two companies reached the stage where they both perceived their relationship to be working well and to be mutually beneficial.

THEORETICAL ANALYSIS

In this chapter, we present a model of actions and elements of the relationship recovery process. This model consists of the elements of the relationship's atmosphere (attraction, trust, and commitment) and the actions to recover a problematic business relationship. The reason for this kind of two-level

analysis is that there is a two-way relationship between the atmosphere and the recovery actions. Any change in the atmosphere of the relationship influences the behaviour of the parties in the relationship. Likewise, any action is perceived by the counterpart as a sign of one or more elements, e.g. trust, for instance, re-enforced the actor bond. Thus, the two levels are closely entwined with each other.

When the focal relationship was on the verge of ending, the atmosphere was poor. In other words, because of the problems in the service quality and pressures from the third actors, trust, commitment and attraction had been severely deteriorated. Without the recovery actions, there would have been no positive change in the atmosphere. However, due to high exit barriers and as recovery actions took place; they influenced the atmosphere of the relationship. Therefore, in the following, we will analyse both the atmosphere and the recovery actions at the same time. However, conceptually we will separate these two in the relationship recovery model. The following description of the model also discusses the existing theoretical knowledge that was applied during the analysis to make sense of the data and to allow for a better conceptual understanding of the phenomenon.

A model of Relationship Recovery Process

Even though variation of content, quality and intensity of co-operation in business relationships is normal (Ploetner and Ehret, 2006), a relationship may face a situation where its continuation is in danger. When a business relationship is struggling with problems but ending the relationship is impossible, or would cause severe damage, there remains only one reasonable solution, attempting to recover it. This process is modelled here.

Since studies on relationship recovery are rare, terminology is only emerging. In this research, a triad business relationship that is heading towards dissolution is referred to as a problematic business relationship and the process that aims at saving it is called a recovery process. For the purpose of this study, we modify the definition of Tähtinen, et al. (2007) and define a recovery process as follows; all the actions the actors undertake to change the problematic relationship into a mutually beneficial one.

In building the model, this study focuses on three elements; the recovery actions, the atmosphere, and the third actors' influence on the process. The only process model of dyadic relationship recovery that we are aware of, presented in Tähtinen et al. (2007) focuses on the sub-processes of the recovery as seen in Figure 3. The model divides the recovery process into three sub-processes, voicing/blackmail, analysing attenuating factors, and normalising. In voicing/blackmail sub-process, voicing refers to requests to change something in the relationship and blackmail to threatening the other party to perform the desired changes. Attenuating analysis refers to assessing the situation after voicing/blackmail and deciding what to do. Finally, normalising refers to actions to make the requested changes to recover the relationship.
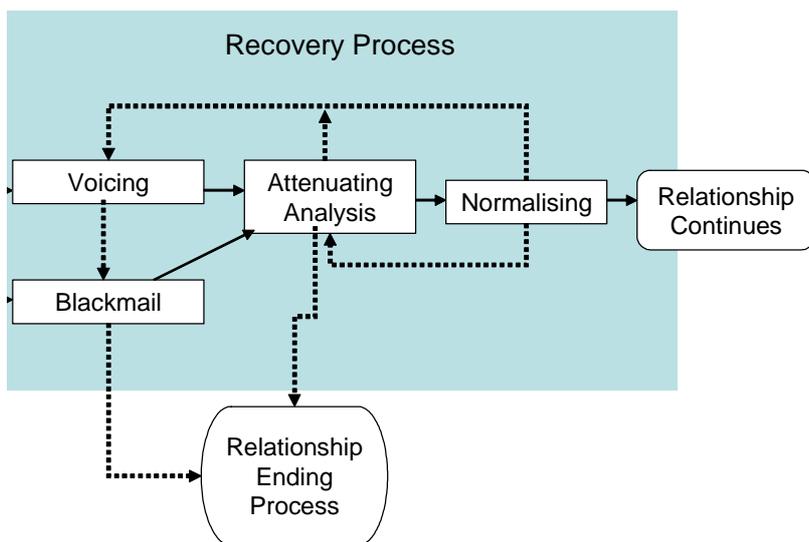
Compared to the model in Tähtinen et al (2007) in addition to focusing on triad relationship recovery, this study takes a more detailed look at what goes on in the sub-processes, how they influence the atmosphere, and who are the actors performing the sub-processes. However, the dyadic recovery model is applied as a starting point, to which the detailed and triadic elaboration is included.

In Figure 4, the triad relationship recovery process is modelled by visualising the start of the process, the actions in the process (the boxes), three elements of atmosphere (the circles), their influence on each other (the arrows), the actors (mentioned in the boxes), and the end of the process. The figure thus presents not only the activities that unfold to the process, but also the dynamics that exists between the process and the structure, i.e. the activities and the elements of the relationship atmosphere; attraction, trust, and commitment. By combining these two views to a single figure, we highlight the inseparability of structure and process, which is of course also true in any phase of a relationship's life. Doing this, we draw on the levels-of-interdependence model of Thibaut and Kelley (1968) and Kelley (1979), especially on the idea of interaction producing concrete and abstract outcomes, which, once formed, influence the interdependence.
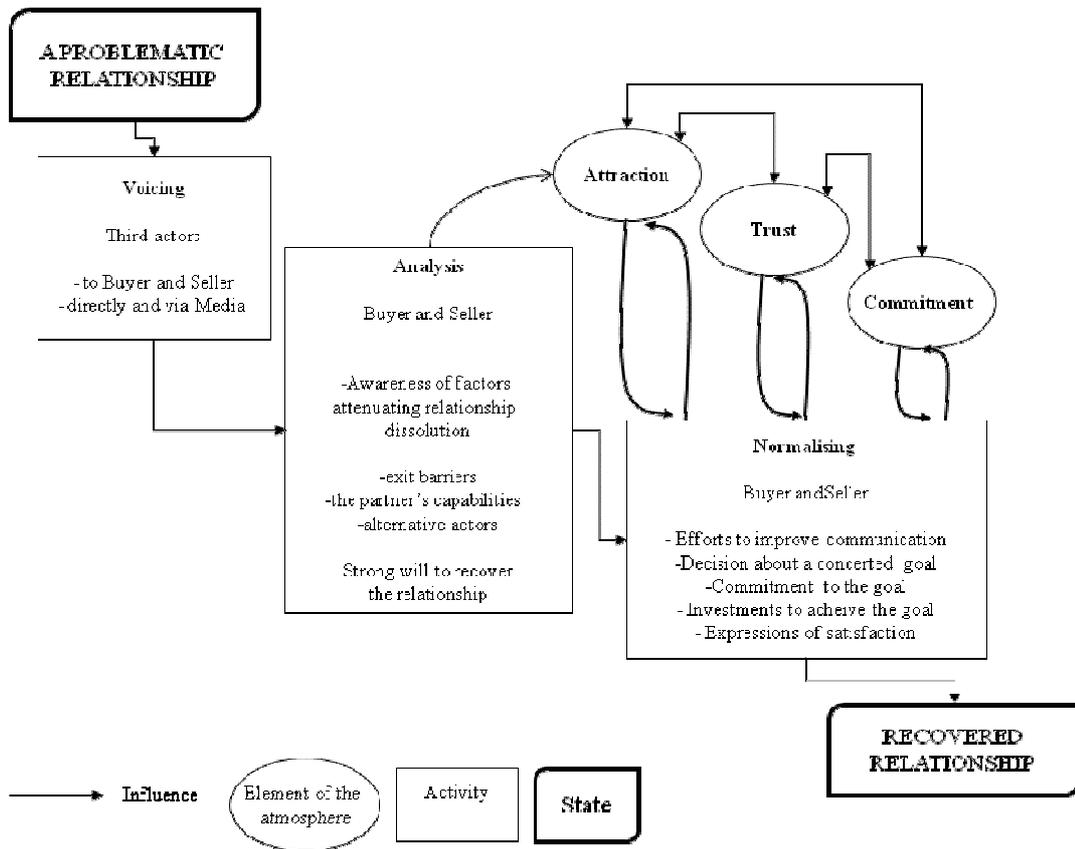
Figure 4. Recovery Process of a Triad Business Relationship

The following analysis discusses the sub-processes connected with the elements of the atmosphere to which they directly influenced. The logic is of any process influencing a structure (in this case the elements in atmosphere) and structure influencing the action. Therefore, in Figure 4, the influence between the sub-processes and the elements of the atmosphere are pictured with two-way arrows.

Voicing

In this triad relationship, the actors first performing voicing were, for the most, third parties. The end users were the ones that first complained to the housing company, since, from their point of view, was their housing service supplier. When this did not result in any changes in their relationship with the company, they, being also advised from the company, complained to the service provider. SP did not even perceive that they had a relationship with the end users, and thus, no changes took place and voicing was unsuccessful.

"We tried to arrange a meeting also with the service provider, but they said that the housing company is the customer, not us. We felt that they don't understand the situation at all." **End user**

Thereafter, the end customers turned into yet another third party, the media, which voiced the concerns to, not only to the two companies, but also to other actors in the network. This finally was strong enough voice, since it awakened the companies; the service provider and the housing company.

Although voicing started with the third actors, it has to be noted that also during the rest of the restoration process, the buyer needed to continue voicing towards the SP. This was because the root causes were not found, no resolution to the end users complaints was offered, and the buyer company needed to continue voicing.

"Even though service provider has technical expertise, it didn't have skills to look at the situation from end user's perspective. For us this was the most important thing and we noticed that we have to emphasize the importance of end user's satisfaction to service provider" **Business customer**

Although the seller did look for an alternative service provider, because the voicing did not provide a solution, we do not see that as blackmail as such. We have no data that would show that the buyer company used the bid as a threat towards the current service provider.

Analysis and its role in rebuilding attraction

In a troubled relationship, attraction, trust and commitment are low and therefore the affected parties must either face the prospect of ending their relationship or initiating recovery processes. High exit barriers (Ping 1993, 1994, 1999) acted as *attenuating factors* (see Tähtinen and Vaaland 2005) that increase parties' willingness to restore their relationship. Attenuating factors are categorized into relational investments, dissolution process costs, possible sanctions for future business, network limitations, and set-up costs (*Ibid*). Based on our empirical data, in this case the service provider felt that their reputation as a broadband operator was on the line (i.e. sanctions for future business) and they felt that their capabilities were questioned also within the organization, as the following quotation reveals.

"We were seriously considering ending the relationship, but we are local operator and the customer is also local, it is against our values to abandon a local customer, or give it to a competitor. Another reason was that we simply didn't want to give up, and we just decided to grit our teeth and not back down." ***Service provider***

Even though the situation in the relationship being intolerable from the business customer's viewpoint, high exit barriers acted as an attenuating factor, reducing the company's willingness to end the relationship.

"We thought that if we could solve these problems with the service provider, a lot of harm would be avoided. It would be easier to continue the relationship than switch suppliers, because with another

*operator it might take another two years to make things work. Even though the experience had left a bad taste in our mouths we thought that if we could manage to solve these problems, we would be better off."***Business customer**

There are three elements of a relationship atmosphere that need to be restored during the relationship recovery process. We have already discussed about the importance of trust and commitment, but also attraction is important and influences the development and maintenance of exchange relationships (Halinen 1997, Harris, O'Malley and Patterson 2003). Moreover, attraction precedes the two others, and thus is next discussed first, starting the discussion on how sub-processes influence the atmosphere.

The attenuating factors contributed to the formation of attraction towards the relationship partner. Halinen (1997, 59) defines attraction as "a company's interest in exchange with another, based on the economic and social reward-cost outcomes expected from the relationship over time". In this case, attenuating factors seemed to be the main reason for the attraction. In addition, existing research confirms that attraction has a motivating role in relationship development (Harris *et al* 2003). The case shows that attraction has a significant role also in the relationship recovery process, because it restores the interest to remain in the exchange with the partner, based on the future value, although the value of the relationship in the past has not met expectations.

If the reason for the problematic relationship lies in service failures, as was the case here, the customer begins to question the suppliers' capability of providing a quality service. This means that unless the customer changes its perception of the supplier, relationship recovery is unlikely to occur (unless the ending of the relationship in not an option). In other words, the customer needs to be convinced that the supplier has potential as a supplier to provide value in order to continue the relationship. The supplier, on the other hand, needs to be convinced that investing in a recovery process is worth while and that the buyer is also willing to recover the relationship. It is, therefore, highly important that both parties show signs of attraction towards each other in order to increase the trust and commitment required to recover the relationship.

"Many negotiations were needed before we started to believe that mutual willingness existed" ***Service provider***

In this case, competitive bidding convinced both the customer and the supplier that they both had potential and the partner was able to provide future value and thus was worth of holding onto.

"We tested another broadband operator's service in one of our apartment buildings and asked end users living there to give us feedback. Even though the service provider's broadband connection was rated bad, the one we tested received even worse feedback from the end users." **Business customer**

"It became very clear that even though we had some problems, fundamentally our service is of a good technical quality and we perform well in a competitive situation. The bid proved to us and to our partner [the customer] what we are made of and what our technical skills are. Actually, I think that competition is the only way of testing what the other companies in this business are like. Only then do you know whether or not you have a winner product." ***Service provider***

Normalising and its role in rebuilding attraction, trust and commitment

Mutual dependency and trust are cornerstones of a partnership, as well as a mutual commitment to collaboration beyond a sequence of buying–selling transactions (Harris *et al* 2003). In reality, collaboration without a minimum level of trust is impossible because the risk of potential opportunism is never totally absent (Ploetner and Ehret 2006). Thus, trust building is not only an

essential antecedent to the development of partnerships, but rebuilding it plays important role in recovery process of business relationships.

"The most difficult thing in the beginning was to learn to trust that we were both looking for a win-win situation, instead of just maximizing benefits in the short term." **Service provider**

According to Morgan and Hunt (1994), trust exists "when one party has confidence in an exchange partner's reliability and integrity". In other words, trust is based on the expectation that a partner is not going to act dishonestly (Ploetnet and Ehret 2006). When the counterparts have perceived the other to be capable and willing to stay in the relationship, trust building has begun. After that, the discussion to form a concerted goal may follow. This task may be difficult since the communication links may have suffered from long-running problems and thus need to be restored. In order to agree on a concerted goal, companies are forced to improve their dialogue. Skills to listen to each other and describe their business environments to counterpart help them in this process.

"In the beginning it was difficult to understand all the technical talk. We are professionals in the housing business, but we don't have a lot of expertise of broadband technology. But after a while we learnt, and we begun to understand the operator and we were able to participate in the technological conversations." **Business customer**

As a result of increased communication and a willingness to understand each other, little by little, the companies began to understand each other's business environments and problems. This allowed them to find common interests and after a while they were able to agree upon a concerted goal.

"The beginning was very difficult and there didn't seem to be a light at the end of the tunnel. Meetings were hard and it felt like we were stuck in a rut. But once we found a common interest the situation changed completely." **Business customer**

Although finding a concerted goal may be almost impossible, it is, nevertheless, a prerequisite for continuing the recovery process. If companies are unable to find concerted goal, there is little sense in recovering the relationship.

"The end user's service quality was taken as a beacon and it helped us to change our view point from simply arguing and blaming each other, to improving the service quality. This had a great influence on the atmosphere within the relationship as the attention was switched from technical solutions to improving service quality." **Service provider**

Finding a concerted goal is crucial in the recovery process, but the means through which concerted goal is reached should be negotiated. Because problems in the relationship cannot be solved overnight, a need for clear procedures regarding how to act in difficult situations remains.

"We agreed upon the service quality, how it is monitored and what the sanctions should be if the quality level is not achieved. If problems occur, we fix them. As a result the whole bearing of the relationship improved" **Service provider**

When the concerted goal is defined, both companies have to commit to achieving it and this commitment has to be proven to the partner. The commitment to achieving the mutual goal plays a major role in trust building. However, this may take a long time since this is the stage where solutions to problems are being looked for on a concrete level. It is also possible that the whole organisation needs to be involved in the process, at least on some level. As a result, people from different organisations learn to know each other and communication becomes more efficient. Knowledge of their partner's business environment increases within both organizations and problem solving becomes easier since mutual awareness of their counterpart's situation increases.

"We had to discuss things at a grass-roots level. I mean, we talked about individual servers trying to figure out why it wasn't working. Why connections in this house were bad and would new cables be required?" **Business customer**

"We had countless meetings and if we had thought of the situation only from a financial viewpoint, we probably would have given up." **Service provider**

The actions that companies perform in order to build trust also play a significant role. For example, in this case, the customer invited the service provider to visit and test their half of the network, which is unusual in this kind of business and required a lot of trust. This helped a great deal since it allowed the situation to be approached in a new way.

"The service provider was invited to visit us and we showed them our part of the network. It was then that they realised that everything was not going as planned and that the end users' broadband connections were practically useless. So they realised that things really were in bad shape, even though everything seemed to be fine from their end." **Business customer**

"I'd say that it is highly unusual for an operator to allow a customer to view their network. It requires a lot of trust. In the beginning we couldn't even think of anything like this happening. But our trust towards our partner had increased and we thought that this new step could be taken, and to tell the truth, this has been a good solution for both of us." **Service provider**

Understanding their business partner's viewpoint enables companies to plan their activities so that the service recovery, in other words, solving the problems in everyday transactions, becomes possible. At this point of the process both parties have some understanding of each other's business activities and the surrounding network. Even though more concentration is required, finding solutions for the real problems becomes possible. These broader insights into the business environment are beneficial not only during the recovery process but also in the future of the relationship.

Morgan and Hunt (1994) define relationship commitment as "believing that an ongoing relationship … is so important that as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely." In short, commitment can be defined as an intention to continue the relationship (see Geyskens, Steenkamp, Scheer and Kumar 1996).

According to Ploetner and Ehret (2006) the development and improvement of future business opportunities motivates commitment in the relationship. In other words, investments in the relationship increase commitment. However, as soon as specific investments are translated into value, they are at risk of being lost once the relationship is terminated (Ploetner and Ehret 2006). This means that before commitment (in the form of investments) begins to exist in the relationship the counterparts have to share at least some visions of future co-operation.

Finding a concerted goal, to which both counterparts are mutually committed, allows trust to build within the relationship. Trust is also a prerequisite for the emergence of commitment in the relationship. Mutual commitment among exchange partners is a central factor in a successful relationship, producing significant benefits for companies (Geysken et al. 1996). However, it cannot be achieved unless trust and shared views about the future of the relationship appear within the relationship. As Håkansson and Snehota (1995, 198) put it "Trust is a necessary condition for commitment and commitment only makes sense if tomorrow matters".

As a result of increased commitment and trust gained by intangible investments (time, negotiations, improvement of communication skills and procedures) companies acquired enough courage to also make tangible investments that, in this case, improved the service quality. These investments are highly important. Not only do they enable achieving the mutual goal possible, but they also strongly influence the relationship's functionality and are likely to be advantageous for interest groups. In this case, the end users' satisfaction increased significantly once the investments in network interface were made. This resulted in the decrease in the number of complaints from the end users, which eased the pressure on the relationship remarkably and opened the atmosphere up for free floating discussion. In other words, the companies were able to focus even more on the recovery process and on developing better service to gain mutual benefits. Empirical findings show that improved service quality also plays a significant role in avoiding future problems.

"With the service provider also using the same control system now, we can easily see what is going on in the network and how things are working. It's great; it works so much better for us! This is a remarkable change and required a lot of effort from the service provider." **Business customer**

Aftermath and the end result of the process

Even though business relationships' descending into troubles is hardly desirable, it is likely to have positive results if the problems can be solved and the relationship's recovery process succeeds. For example, parties in relationships may realise that their current partner actually is the best available business associate; on the other hand they may come to the realisation that with another partner a more valuable relationship could be created. Even if this is the case, the companies may, through attempting to recover their relationship, learn several new skills that may also be beneficial in the company's other relationships and promote future business opportunities.

"We have made a serious made effort to get to know each other and to make our co-operation work. We have learnt a lot and I feel that we have also gained important knowledge concerning different ways of co-operation. Already we have been able to use these new skills with other customers in other business relationships." **Service provider**

In this case, the parties' mutual willingness to amend the relationship and persistent recovery actions resulted, little by little, in their continued co-operation in a now much more fertile relationship.

"At the moment we have meetings regularly and the atmosphere is very pleasant. We both clearly understand our responsibilities and we don't have to argue over trifles and details." **Business customer**

Recovering the relationship was both expensive and hard, requiring a lot of time, monetary investments, and effort at the relationship management level. Now that everything is going smoothly, the customer is very satisfied and feels that it was the right choice to give the service provider time to improve the quality of the service. Thus, we can see that the result of the recovery process was a beneficial and easily maintained business relationship, as well as satisfied end users, the third party.

"I remember how we used to think that the quality of the broadband service was horrible and that anything would be better than the one we had. But now I have to admit that we are satisfied users and the broadband connections are trustworthy and very competent" **End user**

As a result of the recovery process influence patterns and communication are clear and there is mutual understanding of responsibilities. The future of this business relationship is now bright and commitment is mutual. Because there is trust in the relationship, even small problems can be taken openly under discussion and prevent them from becoming bigger issues.

Role of communication

While the previous chapter described the relationship recovery process from start to the end, the role of communication during the whole process deserves a separate section. Communication is very important in business relationships, but especially in relationship recovery. It is obvious that recovering a problematic relationship requires mutual effort and understanding towards a partner's business. Communication has an important role in the process, especially because lack of communication itself can cause problems.

The less understanding companies have towards each others' business and business environment (for example typical characteristics of the industry and the value network of the partner) the more companies will need to communicate. In addition, the quality of information needs to be emphasised when the understanding of the partner is low. By the quality of communication we mean richness and constructiveness of the communication. The higher the attraction, commitment and trust are, the more likely the relationship is to continue.

During the recovery process, communication was continuous and took place at all organisational levels, from senior management to blue collar level. Time and effort was spent to build communication routines both within companies and between them. Communication within a single organisation was also important so that the overall understanding of the recovery process remained clear and all employees were able to strive for a common goal.

"It was the management's task to inform the whole personnel that the priority at the moment is to solve the problems of the (broadband) service quality" **Business customer**

"Our employees got to know (business) customer's employees and cooperation strengthened, things started to work better." **Service provider**

This case study also shows that communication is important in passing information from the surrounding network to the partner. In this study for example end user's satisfaction had an important role in influencing the relationship atmosphere.

Even though some similarities can be perceived, recovering problematical business relationship differs from building a new business relationship. In the first situation the partners have more knowledge of each other, or at least they think that they are familiar with the partner. The latter kind of thinking weakens the quality of communication since discussions may lack details that are presumed to be familiar to the partner. In other words, the information may not travel very efficiently and it can be inadequate and, in a way, shallow. There may also be arguments or "bad blood" between people and these kinds of problems between people are likely to influence the relationship as well as its recovery process. In addition, companies have knowledge and hands-on experience of what kind of troubles certain actions may cause.

Unless communication is handled with care, there is no possibility of recovering the relationship. Especially the communication skills and commitment of boundary spanners is crucial. In order to recover the relationship, recovery actions have to take place and factors hindering the relationship recovery have to be diminished. In addition, empirical findings show that the causes for the trouble need to be detected and solved before the recovery actions can be successful.

THEORETICAL DISCUSSION

This study explored relationship recovery process through the elements of relationship atmosphere and the recovery actions forming the recovery process as well as the influence of third actors. Our

research strategy was to explore a case of a supplier – business customer – end customer triad relationship and relate insights from the empirical data to the scarce existing knowledge related to relationship recovery. The model presented in this study, conceptualized the atmosphere of the relationship through the changes happening in trust, commitment and attraction. The way the counterparts of the relationship perceive these three elements influences the course of the relationship. A problematic relationship starts to recover only if actions towards recovery are taken. The recovery actions influence the atmosphere of the relationship as they are perceived as signs of the actor's perception of the relationship, for example whether the actor itself is committed or trusts the counterpart. In addition, if the actors trust each other, they can invest in the relationship which, in turn, influences the atmosphere positively. Thus, both levels; the atmosphere and the recovery actions influence on each other and are closely intertwined.

The process model built in this study identifies three stages in the recovery process; voicing, analysis and decision making about the willingness to continue the relationship, and normalising. The first stage refers to actions that bring the relationships troubles and the requests that they need to be solved into the awareness of both/all parties. During the second stage, each or both parties assess whether the relationship is worth saving or not as well as if it can be saved. Unless, at this stage, a will to save the relationship arises, the recovery process may end here and a dissolution process may begin. The last stage occurs when the will is proven to the counterpart by normalising actions, for example by agreeing on a joint goal and investing resources into achieving the goal and recovering the relationship.

The need for effective communication remains high during the whole process as well as a need for intangible investments, such as spending time on meetings and negotiations, not only between the organizations but also within them. However, these actions are also important at the start of the recovery process, since without them, the process will not advance.

As a result of relationship recovery process, the relationship can regain its status as mutually beneficial and can even achieve better functionality than before. As companies familiarise with each other during the recovery process and make efforts to build new communication skills, improved efficiency in daily business routines becomes possible when the process is completed. In addition, it is possible that new business skills learnt during the recovery process may be used in improving the company's other business relationships.

Tähtinen and Vaaland (2006) point out that factors and events attenuating the reasons to end a relationship play an important role when companies are considering recovering their business relationship. The study at hand shows that the elements of relationship atmosphere; e.g. attraction between the actors plays a major role in influencing the actions as well as the actors' perceptions of the actions. Especially in the beginning of the recovery process this influence is emphasized. According to Vaaland and Tähtinen (2003) the purpose of restoring actions is to learn to reduce the tension in the relationship. This applies also to the triad relationship recovery process. Therefore, we can claim that the purpose of recovery actions is to improve the atmosphere of the relationship so that finding and solving the difficulties that are causing problems becomes possible. If this is achieved, new problems and difficulties can be dealt with before they pose a serious threat to the continuation of the relationship.

The role of the third actors in a relationship recovery process was clear. Based on the case, third actors can even the ones that perform voicing, and therefore bring the problems into surface. In this case this was natural, since the third actors were end users that experienced problems in the service they were using, and demanded a solution. The relationship recovery thus did not involve only the main relationship between the buyer and seller, but the relationship between the buyer and end customer and seller-end customers; although in the latter no economic exchange takes place. Thus, a triadic view on the phenomenon was needed. We suggest that this may also be the case in other

contexts, and therefore is would be worth while to apply a triadic analysis more often. Moreover, triad is the smallest network (Simmel 1950). Therefore, we can even suggest that a triadic view offers a net view on relationship recovery. In addition, even more than three actors may come into play and to understand the recovery process, their action and their influence on the relationship's atmosphere may be analysed using the model presented.

MANAGERIAL DISCUSSION

In a recovery process of a problematic business relationship, there are two crucial issues affecting to the result of the process; communication skills and abilities to understand a partner's business. However, in order for the recovery process to begin, the parties need to have the strong will to begin the process. The parties need to assess the consequences of the recovery process, continuing in a problematic relationship, and ending it and finding a new partner. The recovery process may be difficult and time consuming and it requires intangible investments right from the beginning when the results of the process still remain uncertain. Therefore, for companies in a problematic relationships, assessment of the situation and, if the recovery process seems to be the best choice, it needs to be clear for all boundary spanners, so that they can develop and maintain the strong will needed for recovery.

Time and effort spent in communication is essential since it enables communication rich enough to be able to get to the root causes of the problems, as well as finding a concerted goal as a guiding star towards which to travel during the recovery process. To agree on a concerted goal, though, is not enough, concrete definition of smaller targets is also important in guiding the recovery process. Attempting to familiarise with the partner's business, when initially developing a business relationship, is beneficial. Thus, the more companies acquire knowledge of the value network surrounding their partner, the easier it is to maintain, and if needed, to recover a troubled relationship. It can be even suggested that a company might wish to demand from its counterpart at least a certain level of familiarity with its business environment, when evaluating potential partners. If important third parties, such as the customer's customers, are acknowledged as major parties in the relationship, their influence can be taken into account. Being proactive may even save the relationship from entering troubled stage in the first place, but at least an understanding of the role of the third parties in the relationships life helps managing it.

Not only does a recovery process compel companies to pay attention to communications skills, but it also offers possibility to improve both internal and external communication skills. It is important to create procedures for problematic situations before they happen. During a problematic relationship there might not enough time for planning as fast reactions may be required.

Investing in activities that monitor the quality of a company's most important relationships can be recommended, not only because it helps to solve any problems early on, but also in order to encourage both parties to open communication. As pointed out earlier, fluent communication flows ease the maintenance and recovery of business relationships.

Problematic relationships may severely damage the companies' businesses. Without a good relationship atmosphere, i.e. attraction to the other party, trust towards to partner and mutual commitment to the relationship, any business relationship may turn into a problematic one, increasing the risk of its ending. This study suggests that if this happens, all the elements of the relationship atmosphere need to be paid attention to and actions need to be undertaken to increase attraction, trust and commitment.

Even though a business relationship is built between two companies, one party may end it and it always relies on the engagement of the people acting on behalf of the companies. According to

Halinen and Tähtinen (2002) manager's interpretations of different factors influencing a business relationship's ending process are crucial when making decisions regarding the future of a relationship. In addition, there is a danger of being damaged professionally if persons promoting the partnership leave the organisation (Ploetner and Ehret 2006). This study shows that engagement of people has significant influence also in a relationship's recovery process. If employees are devoted to recovering a problematic relationship, there is a good chance that recovery actions will be successful. Other research (Halinen 1997, 300) has also shown that individual characteristics such as professional skills, personality and working style have a strong influence on relationship development. Moreover, interpersonal respect, interpersonal trust, and existing social bonds help in creating awareness of the other party's goals, needs, and resources that is a prerequisite for a relationship's formation and development (*Ibid*). Based on this study, the same can also be said when it comes to relationship recovery, especially at the beginning of the process.

It is not enough, however, for only one partner to have devoted people if the counterparty does not see that the relationship as worth continuing (i.e. if their reasons to end the relationship are stronger than the attenuating factors). Thus managers should try to avoid blaming individual employees for failures in the recovery processes.

Evaluation of the research

We will evaluate the study by using the criteria for trustworthiness developed by Lincoln and Cuba (1985). Accordingly, qualitative research can be evaluated through credibility, transferability, dependability, and confirmability of the research. Firstly, we have increased the credibility of this research by data triangulation, in other words using multiple sources of data (interviews and newspaper articles) as well as by interviewing all actors in the triad. In addition, after the interview data was transcribed verbatim, the document was sent to the interviewees to make sure that their narratives matched their memories of how the events took place. Triangulation of data also improves the dependability of the results by allowing congruence to be perceived in the data collected from the different actors of the triad.

Secondly, as with any single case study, this one also describes the phenomenon in its own context. Thus, a careful representation of the context improves the transferability of the results. In this study, the context was described in the case presentation so that the characteristics of the context come across and evaluation of the case becomes possible, not only in its own context, but also when relating the results of the research to other contexts. Finally, to improve the confirmability, the case analysis is presented with quotations from the interview data. This helps the readers to make their assessment of our analysis.

Suggestions for future research

Recovering a problematic business relationship is a multidimensional phenomenon and therefore it can be viewed from several perspectives. More attention could be focused on the factors that promote and accelerate a recovery process as well as how the network actors influence the process.

One question also relates to the skills that companies may learn from recovery processes, as well as how to enhance such learning and how to spread the knowledge in the company and its network actors. The role of power is also interesting in recovery process. How does power balance, or imbalance, and otherwise influence problematic relationships and does the power balance change or is it forced to change during the recovery process of relationship? In cases where the business relationship is a triadic one, the end customers influence on the relationship and vice versa are

interesting issues. Does the end users' satisfaction level influence the business relationship? These are all unanswered questions.

References

Alajoutsijärvi, K., Möller, K. & Tähtinen, J. (2000). "Beautiful exit: how to leave your business partner". European Journal of Marketing, Vol. 34, (No. 11/12), 1270-1290.

Anderson, C. J., Håkansson, H. & Johanson, J. (1994) "Dyadic business relationships within a network context." Journal of Marketing, Vol. 58, (4), 1-15.

Burns, Jr. W.J & Kaplan , R. S. (Eds.) (1987) Accounting and management field study perspectives. Boston, MA: Harvard Business school press.

Earp, S., Harrison, T. & Hunter, A. (1991). "Relationship marketing: Myth or reality?" Proceedings of the 15th Annual IMP Conference, University College, Dublin, 1999 (pp. 1-21).

Eisenhardt, K.M. (1989). "Building theories from case study research". Academy of Management Review, Vol. 14, (No.4), 532-550.

Ford, D., Gadde, L-E., Håkansson, H. & Snehota, I. (2003). Managing Business Relationships (2nd ed.). England: John Wiley & Sons.

Geyskens, I., Steenkamp, J-B.E.M., Scheer L. K., & Kumar, N. (1996). "The effects of trust and interdependence on relationship commitment: A trans-Atlantic study". International journal of Research in Marketing, Vol. 13, 303-317.

Halinen, A. (1997). Relationship marketing in professional services: a study of Agency-client dynamics in the advertising sector. London: Routledge.

Halinen, A. & Tähtinen, J. (2002). "A process theory of relationship ending". International Journal of Service Industry Management, Vol. 13, (No. 2), 163-180.

Harris, L.C., O'Malley, L. & Patterson, M. (2003). "Professional Interaction: Exploring the concept of Attraction". Marketing Theory, Vol 3, (No 9.)

Håkansson H. & Snehota, I. (1995). Developing relationships in business networks. London: Routledge.

Kelley, H.H. (1979). Personal Relationships: Their Structures and Processes. Hillsdale: Lawrence Erlbaum Associates.

Kovács, G. & Spens, K.A. (2005). "Abductive reasoning in logistics research". International Journal of Physical Distribution & Logistics Management, Vol 35 (No. 2), 132-144.

Lam, P-K. & Chin K-S. (2005). "Identifying and prioritizing critical success factors for conflict management in collaborative new product development". Industrial Marketing Management, Vol. 34, 761-772.

Levin-Rozalis, M. (2004). "Searching for the Unknowable: A Process of Detection — Abductive Research Generated by Projective Techniques". International Journal of Qualitative Methods, 3 (No. 2), 1-36.

Lincoln, Y. & Cuba, E. (1985). Naturalistic inquiry. Thousand Oaks, CA: Sage Publications.

Paparoidamis, N.G., Chumpitaz, R. & Tähtinen, J. (2007) "Relationship Recovery and Business Loyalty: Conceptual Model and Propositions." Electronic proceedings of Relationship Marketing Summit 2007, 13-15 December. Buenos Aires, Argentina.

Ping, R. A. Jr. (1993), "The effects of satisfaction and structural constraints on retailer exiting, voice, loyalty, opportunism and neglect," Journal of Retailing, 69 (3), 320-52.

Ping, R. A. Jr. (1994), "Does satisfaction moderate the association between alternative attractiveness and exit intention in a marketing channel?" Academy of Marketing Science, 22 (4), 364-372.

Ping, R.A.Jr. (1999), "Unexplored antecedents of exiting in a marketing channel," Journal of Retailing, 75 (2), 218-241.

Ping, R., & Dwyer, F. R., (1992). A Preliminary Model of Relationship Termination in Marketing Channels. In Frazier, G.L. (Ed.). Advances in Distribution Channel Research. 1, 215-233. Greenwich: Jai Press.

Peirce, C.S. (1998). The essential Peirce: selected philosophical writings. Edited by the Peirce Edition Project. Indiana, USA: Indiana University Press.

Ploetner, O. & Ehret, M. (2006). "From relationships to partnerships – new forms of cooperation between buyer and seller". Industrial Marketing Management, Vol. 35, (No. 1), 4-9.

Simmel, G. (1950). "Quantitative Aspects of the Group. A translation of Chapter II of Soziologie. In: Wolf, K.H. (ed.) The Sociology of George Simmel, 87-177, Glengoe: Free Press

Thibaut, J.W. & Kelley, H.H. (1968). The Social Psychology of Groups. Reprint, New Brunswich: Transaction Books.

Tähtinen, J. & Vaaland, T.I. (2005). "Business relationships facing the end: why restore them?". Journal of Business & Industrial Marketing, Vol. 21, (No. 1), 14-23.

Tähtinen, J., Blois, K, & Mittilä, T. (2007). "How the features of business relationships influence their endings". Journal of Business Market Management, Vol.1, (No. 3), pp. 231-247

Tähtinen, J., Paparoidamis, N.G. & Chumpitaz, R. (2007). "Business relationship recovery – A process model". Proceedings of the 23rd Annual IMP Conference, Manchester, UK.

Vaaland, T.I. & Tähtinen, J. (2003). "From attenuating awareness to attenuating action. Saving business relationships under pressure". Proceedings of the 19th IMP Conference, 4. -7.9.2003, Lugano, Switzerland.

Yin, R.K. (2003). Case Study Research: Design and Methods (3rd ed.). Thousand Oaks: Sage Publications.