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A learning perspective on switching suppliers

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Abstract

During the last decade the ending of exchange relationships has received increasing attention from researchers. The purpose of this paper is to explore and discuss one particular aspect of ending – namely, switching supplier relationships. The basis for the discussion is two-fold. First, insights from literature on inter-organisational relationships and organisational learning are used and related to switching issues. Second, the findings from a qualitative case study are discussed and related to the literature. The findings suggest that switching from one supplier to another requires a translation of knowledge and routines gained in the former relationship. The contribution of the paper is to relate switching processes and costs to learning. In addition, the paper offers an understanding of the learning processes involved in relationship development and the substance of such investments. This helps explaining why switching suppliers is often troublesome and highlights what considerations managers should make when initiating such changes in their supplier relationships.

Key words: Supplier switching, relationships, learning, routines, case study

1. INTRODUCTION AND PURPOSE

In the last decade the ending of exchange relationships has received increasing attention from researchers. It is argued that managers should not only know how to establish a relationship, but also how to end one (Halinen and Tähtinen, 2002). Ending of relationships includes aspects such as exiting a relationship, the dissolution or termination of a relationship and switching relationships (Tähtinen and Halinen, 2002). The purpose of this paper is to explore into the switching aspect of relationship ending. In addition to knowing how to end a relationship, managers also need to know more about the switching process from one supplier to another, i.e. the substitution of supplier relationships.

Switching suppliers has potential benefits such as reduced purchasing price and opportunities for new product development (Wagner and Friedl, 2007). However, changing suppliers has been associated with various types of costs. These costs are reflected in the search for and evaluation of alternative suppliers, the development of a new relationship, as well as lost returns from long-term investments in the existing supplier relationship. Switching costs can be grouped into physical and soft assets (Nielson 1996). They have been attributed to the embedded nature of relationships and the existence of personal relationships (Granovetter, 1985), firm-level switching costs due to partner-specific investments and marketing variables (Wathne, Biong and Heide, 2001), and relationship development variables such as adaptations in activity links, resource ties and actor bonds (Håkansson and Snehota, 1995).

Research on switching costs mainly focuses on why it is difficult to end a relationship and not so much on the switching process from one supplier to another. In this paper the processes of switching are in focus, and in order to understand such processes a learning perspective is used. Learning underpins the adaptations and investments in all types of relationships (Bygballe, 2006). Hence, a better understanding of the processes and results of learning is likely to contribute to a further understanding of the costs of switching suppliers. In addition, it illuminates the learning investments needed in the switching process from one relationship to another and in developing a new relationship.

The structure of the paper is as follows. In section two the theoretical framework of the paper is outlined. Literature on relationship development and learning is presented and further related to switching supplier relationships. In the next section a case study is presented and analysed. The case reports of the efforts made by a buying company in the marine industry in switching one of its supplier relationships. The paper concludes by discussing the theoretical and managerial implications of the study, as well as suggesting avenues for further research.

2. RELATIONSHIPS, LEARNING AND SWITCHING PROCESSES

2.1. Business relationships

In order to better understand switching processes and the costs involved when buying companies are changing suppliers, we may start by examining relationships and how relationships develop. The IMP perspective offers such an understanding (Turnbull and Valla, 1986; Håkansson and Snehota, 1995, Ford et al. 2003). Within this perspective a relationship is defined as a “mutually oriented interaction between two reciprocally committed partners” (Håkansson and Snehota, 1995, p. 25). Business relationships are seen to contain technical, economical and social dimensions, in which exchanges between the parties occur (Håkansson, 1982). Within each of these dimensions, bonds may arise creating interdependencies between the parties that provide both possibilities and constraints to the involved actors (Johanson and Mattson, 1987).

According to Håkansson and Snehota (1995) business relationships may be described by the way they connect the activities and resources of the involved actors, i.e. their substance. These connections affect each of the parties, the dyad and the network in which they are embedded, i.e. their function. Business relationships connect different actors, creating actor bonds. These bonds affect what each of the two parties in a relationship knows about each other and how they perceive, evaluate and behave towards the other party. This allows mutual commitment to be established. Bonds between two parties in a relationship influence their identities, both in relation to each other as well as towards other companies. Identities are shaped as the parties in the relationship learn about each other and the interdependencies between them through direct interaction experience. Key characteristics of actor bonds are as such shared identities, mutual commitment and trust.

Business relationships also connect the internal activities of each party. The internal structures both affect and are affected by the interacting activities in the relationship. The activity links influence how and when different activities are coordinated and carried out. This, in turn, impacts upon the costs and effectiveness of the activities and hence the outcome of the relationship. Each party in a business relationship relates to several other companies, making up various activity links. Because of this interconnectedness, changes in the activity pattern will affect the activity links in a business relationship, as well as changes in a relationship’s activity links will affect the overall pattern.

Finally, business relationships connect the resource collections of each party in a relationship. A relationship is a resource in itself to be exploited and used because it makes available various resource elements for the parties involved in the relationship. Furthermore, it provides the opportunity to combine the involved parties’ resource and hence to create unique resources. When resources are combined, they may over time become closely oriented towards each other and resource ties that are adapted will emerge. The extent and type of resource ties in a relationship affect productivity and innovation, and hence the outcome of the relationship. There might be various interconnected resource ties within a specific context, involving different companies and making up an overall resource constellation.

The three layers of substance in a business relationship are highly interrelated. Actors perform activities in which resources are used, and the activities evolve as actors develop their capabilities in utilising resources. The interplay between the three layers underpins the dynamics and development of business relationships and networks, and hence the value and outcome of business relationships (Håkansson and Snehota, 1995).

2.2. Relationship development and learning

Learning and knowledge are central aspects of the interaction processes between business firms (Håkansson and Johanson, 2001). Indeed, Ford, Håkansson and Johanson (1986) argue that

interaction can be perceived as a learning process whereby business relationships arise. A relationship may be seen as comprised by several exchange episodes or transactions and parties in a relationship increase their knowledge and experience as they interact across these episodes. This knowledge is influenced not just by the interaction itself, but also from the characteristics and expectations of the parties. According to Ford et. al. (2003), a relationship develops through different stages: a pre-relationship stage, an exploration stage, a development stage, and finally, a mature stage. The various stages are related to four main relationship investment concepts: learning, adaptation, trust, commitment, and distance.

Learning is particularly important in the early stages of a relationship. In the exploration and development stages, the parties engage in a detailed learning process in order to get to know each other. The outcome of this learning is the establishment of actor bonds, resource ties, and activity links, which are necessary to reach stability at the mature level. The mature level is characterised by routines and utilisation of the established connections (Håkansson and Snehota, 1995). The stability dimension of relationships may be seen as the very reason why relationships exist, as it allows for return on the experiences and investments made. While the mature level and use of routines may still involve some learning, it is reasonable to assume that this level is not as explorative as in the beginning of the relationship. Nevertheless, as Ford et al. (2003) remark, the parties may for various reasons again engage in a development stage, involving extensive learning processes.

The existing structure of connected activities, actors, and resources in a relationship reflects the experiences of the parties' problem solving and experimentation in finding solutions, their learning and knowledge (Håkansson and Snehota, 1995). Håkansson (1993) argues that learning with regard to the use and combination of resources, concerns learning about the specific resource elements involved and how to combine them. Joint learning based on several actors' knowledge and experimentation is particularly important for creating new knowledge. Innovation is related to the development of new resource combinations over time, Araujo, Dubois and Gadde (1999) argue that productivity is determined by the efficiency in the utilisation of a given resource combination. The resources get embedded in each other (Wedin, 2001) and the specific combinations turn into routines (Holmen 2001; Harrison and Bygballe 2006, Bygballe, 2006). Routines are as such both a result of learning and a further vehicle (Levitt and March, 1988).

2.3. Relationship learning and switching processes

In order to understand switching processes, it is reasonable to look at the costs associated with such changes. Switching costs typically refer to a customer's perceived costs involved in switching a supplier (Campbell, 1985; Heide and Weiss, 1995). Such costs have been attributed to the embedded nature of relationships and the existence of personal relationships (Granovetter, 1985) and prior commitment and partner/transaction-specific investments (Heide and Weiss, 1995; Wathne, Biong and Heide, 2001), or in other words, connections and adaptations between actors, activities and resources, as described in the previous section. Switching costs are as such reflected in the lost returns from long-term investments in an existing supplier relationship, in addition to the search for and evaluation of alternative suppliers and the development of a new relationship.

According to Nielson (1996) switching costs are usually categorised according to two main models: a three-dimensional model consisting of physical assets, people and procedures and a two-dimensional model consisting of physical and human assets. In his study, Nielson (1996) found support for the two dimensional representation of switching costs: a hard asset dimensions, comprised of investments in product modifications and dedicated plant facilities, and a soft asset dimension related to the quantity and quality of the working relationships between individuals from both parties and the communications system underpinning this interaction. Furthermore, the study showed that investments in hard assets were to a higher degree associated with switching costs than the soft investments. One explanation is that the hard assets are easily recognised and assigned an

economic value, while the soft assets are neither tangible nor amenable to financial valuation, and as such not so obvious (Nielson, 1996).

In the former section, we saw that business relationships arise through learning processes and that learning is further accumulated through repeated interaction. The connections between the actors and the involved activities and resources arising from this may be more or less strong (Håkansson and Snehota, 1995). According to Campbell (1985) high and specific investments in a relationship result in high switching costs. In a similar way, Håkansson and Waluszewski, (2002) argue that the greater the investments and the importance of one resource in relation to the other are, the *heavier* the resource interface will be. In other words, resources become *cemented* into each other creating a certain resource structure. Such a structure may put constraints on attempts to make changes (Håkansson and Waluszewski, 2002). Furthermore, the connections may reach beyond the single relationship as the partners are connected to other parties and relationships. This embedded nature of relationships implies that dissolving and switching suppliers may be difficult as the consequences propagate beyond the dyad.

According to the above, routines may act as a switching cost. In addition, the features of routines are important in order to understand the substance of a relationship, and hence what can be transferred to a new relationship. Feldman and Pentland (2003) argue that there is an *ostensive* and a *performative* dimension of organisational routines. The ostensive aspect of a routine refers to the abstract, generalised idea of the routine - the routine in principle. The performative aspect of a routine refers to the specific actions and enactment, by specific individuals, that constitute the routine - the routine in practice based on previous experiences. Feldman and Pentland (2003) relate the distinction between these two aspects to the distinction between “knowing that” and “knowing how”. Acknowledging both the ostensive and the performative aspects of routines increases the understanding of the role of routines in a business relationship. It underlines the difficulties in identifying what a relationship actually consists of, given that much of a routine is tacit and invisible, and embedded in the interaction between people (Harrison and Bygballe, 2006). This may result in an underestimation of the importance of the relationship and the connections that make the relationship work. This is in line with Nielson (1996) finding that hard asset investments are perceived as more important than the social ones when companies consider switching costs. Furthermore, this also implies that when transferring knowledge in terms of routines from one relationship to another, consideration should be made to both the ostensive and performative aspects.

In this paper we are interested in exploring switching processes and the costs involved. The basic assumption is that this understanding may be facilitated by a deeper understanding of the learning processes underpinning relationship development. In the following sections a case is presented and discussed illustrating the challenges faced by a distributor of products and services to the marine industry when switching from one supplier to another. Based on the discussion above, the case is centred on identifying the connections between actors, activities and resources in the involved relationships, the strength and stability of these connections in terms of adaptations and routines, and how they develop, i.e. the learning processes involved.

3. METHODOLOGY

This paper is based on a case study of a buying company in the international marine industry (hereafter referred to as WWD for the sake of anonymity) and its efforts in switching one of its most important suppliers, in terms of duration, money and volumes, for a new one in the Far East. The particular case has been chosen because it illustrates very well the challenges in switching counterparts in industrial settings and the costs involved due to connections developed over years of interaction and learning.

A single qualitative case study design was chosen because such studies allow for in-depth investigations and rich descriptions of a problem or phenomenon (Dubois and Gadde, 2002). Case studies in general are appropriate for studying contemporary empirical phenomena in their context (Yin, 1994). In addition, they are suitable for studying relational phenomena as they allow for grasping the dynamics and complexity of such phenomena (Dubois and Araujo, 2004). This fits well with the main purpose of this paper. The case is based on findings from a larger research project on relationships and learning using WWD and four of its supplier relationships as an empirical basis. In this case a more in-depth investigation of two of these relationships is presented.

The study has been long-term and process-oriented in the sense that it has been real-time, theory-led and contextual (Pettigrew, 1997). Data was collected between 2003 and 2006 and this particular case is based on thirty interviews, observation in six supplier meetings and analysis of different documents, including meeting memos, strategic documents, standard operating procedures, etc. The interviews, lasting on average two hours, were conducted with commercial managers, technicians and product managers, in addition to operational staff from both WWD and the supplier being replaced. The interviews were focused on questions about the companies and the relationships in order to identify the connections between the parties and how these had developed. The triangulation of methods was used to check the consistency of the data and contributed to ensure the quality of the study (Eisenhardt, 1989). Furthermore, in order to ensure reliability of the study a database was developed including transcriptions of each interview and the document analysis (Ellram, 1996). In addition, the evolving case description was returned to representatives of the companies for comments.

Finally, the case analysis relied on an abductive research logic, meaning that theoretical and empirical insights were intertwined and informed by each other (Dubois and Gadde, 2002). Instead of presenting the case study independently of the analysis the abductive research logic is followed with the theoretical basis and analysis intertwined with the presentation of the case.

4. THE CASE STUDY

4.1. Background

In May 2004, WWD signed a three years contract with a Chinese producer of gas welding products. WWD's supplier base had traditionally been located in Europe and this contract was its first large agreement with an Asian supplier. One of the main drivers was a new sourcing strategy at WWD implying buying from low cost countries. There was severe reluctance from product-technical and sales staff within WWD to this new strategy, however. Asian products were perceived as of inferior quality. In addition, WWD's logistics were structured around an international distribution centre (IDC) in Rotterdam that served customers in Europe and WWD's world-wide network of hubs serving ships and ship yards around the world. Buying from Asia would interrupt this existing distribution system. Finally, the reluctance was also due to the relationship with WWD's existing supplier of these products. Substantial parts of the total product range bought from this supplier were now taken away. This represented a major disturbance of what was considered by many WWD staff members as one of the company's most long-term and stable supplier relationships.

4.2. The existing supplier relationship

The relationship between WWD and the existing supplier of gas welding products had lasted for over 20 years. It was considered as a "family relationship", since the two companies' origins could be traced back to the same company. The identities of the two companies were highly related and they were both well-known high-quality suppliers in the welding business. The two companies were located in neighbouring countries and had relatively similar cultures, both with regard to the individuals and the company profiles. Personal relationships were established on commercial, technical and operational level, despite some personnel turnover throughout the years. Given that the

two parties knew each other very well, their identities closely related and their cultures quite similar, strong actor bonds were in place.

In addition to these bonds, links between the different activities were tight, and reached beyond the focal relationship to involve the supplier's suppliers and WWD's customers. Ordering, production, delivery, payment, etc were coordinated and adapted over years of interaction to ensure efficient flows of information, goods and money. According to WWD, the relationship had developed to become standard and transaction oriented during the last decade. The focus was primarily on maintaining the routines that had been established for the various activities. These routines were mainly adapted in terms of scheduling. The supplier considered the relationship with WWD as simultaneously standard and unique. Since WWD supplied to operating ships accurate deliveries were crucial. Furthermore, any quality deficiencies would require tremendous reverse logistics operations. As a result, WWD demanded more accurate deliveries and higher quality compared to other customers. This had implications for the supplier's production and quality control, in addition to the deliveries. This further impacted upon the supplier's two sub-suppliers producing many of the components supplied and the logistics service provider transporting the goods.

The relationship involved the use and combination of different physical and organisational resources. For example, the two parties had developed many of the products together in the early years, using their specific knowledge to provide products suitable to the marine industry. Even if most of the components were similar to the supplier's other customers, they were put together in specific ways in order to fulfil the needs of WWD's marine customers. These products were much more vulnerable to moisture than similar gas welding products supplied to other customers. In addition to the products, the different organisational units handling the relationship were also tightly adapted to each other in order to perform the different activities efficiently. For example WWD staff at the IDC in Rotterdam had a strong interface with their counterparts at the supplier company, handling orders and deliveries and solving problems when necessary. The staff members at the two units communicated on a day-to-day basis and were very knowledgeable about each other and the specificities of the relationship. In addition to communication on the operational level, the parties had regular meetings on the commercial level, i.e. between WWD's purchasing manager and the sales manager at the supplier company.

Until 2002, the relationship between WWD and the supplier was considered "business as usual". However, when WWD started to evaluate suppliers' performance systematically in 2002, it appeared that the supplier was not as good as expected. An increased focus on the relationship followed, aimed at improving the relationship. These efforts reached beyond the focal relationship. The supplier had to change the delivery routine with the sub-suppliers and they also hired of a new logistics service provider being more reliant than the former. Despite improvements, however, WWD decided to start searching for an alternative supplier in the Far East in 2004. It was clear that the problems had affected the relationship negatively, and there was less trust. WWD felt that the supplier had not paid enough attention to them and hence not committed sufficiently. The supplier felt that WWD blamed all the problems on them, despite the fact that some of the problems were a result of inefficient reception at the IDC in Rotterdam. In other words, the actor bonds between the two parties had weakened.

4.3. Substituting relationship connections

Following an intensive search period, WWD signed a contract with a Chinese producer in May 2004, and told the existing supplier about the forthcoming switch. The supplier had expected this to come since WWD had been open about its search for an alternative, and they now started to prepare for the fade out. WWD followed its standard procedures for switching and implementing new supplier relationships that had been developed during a project some years earlier where key suppliers had been challenged. A key issue was to facilitate a smooth transfer to the new supplier relationship in

order to avoid running out of stock. Staff from WWD visited China regularly to establish the relationship. This was both because establishing personal relationships were considered to be of severe importance in the Chinese context and to make sure that the supplier followed the agreements. Despite the efforts in creating strong actor bonds, however, it soon turned out that WWD and the Chinese supplier had rather different views of doing business. In addition two actors did not communicate very well. For example, one of WWD representative got into a heavy discussion with the president of the supplier in a meeting with several others. The president 'lost face' in front of his managers and denied to have any more contact with this WWD representative.

Along with solving the communication problems, the parties spent much time in establishing proper resources and also using these to make the relationship work. The products were similar to the ones bought from the former supplier and WWD expected few problems as the Chinese had a modern production facility. In addition, the routines were considered to be standard, only requiring different scheduling. It soon turned out, however, that there were substantial differences from the former relationship. Firstly, the Chinese had little knowledge about developing products and WWD had to teach them. This was a challenge because the products had been developed in close interaction with the former supplier. WWD now had to be the teacher. Secondly, there was still much manual work at the Chinese factory and WWD discovered that there were no proper quality control systems in place. WWD required that the supplier invested in such systems. In addition, a new quality control routine was established at the IDC in Rotterdam to control the products from China. Another problem was that the Chinese supplier was reluctant to invest in a test facility necessary for some of the products, and WWD had to go many rounds to persuade the supplier to do so. WWD was still a small customer to the supplier and not much prioritised.

Two weeks before the first shipment, WWD was told that the shipment would be several weeks delayed. The time schedule for both stop buying from the existing supplier and the first shipment out of Rotterdam had to be postponed. In order to prevent more problems both lead times and the ordering schedule were increased to become more realistic. A readjustments of the activity links were necessary. The problem was that the existing supplier had reduced the stock levels and prepared for fading out these products. WWD now had to ask them to re-establish the production and the delivery routines. The supplier was willing to do this because of the long-standing relationship with WWD and because they were still supplying some products for medical use on board cruise ships that WWD did not dare to buy from China.

After one year of intense working the relationship with the Chinese supplier was eventually running satisfactory. There were still problems, but these were solved on a continuous basis. WWD staff recognised that the relationship would need continuous surveillance in the first years. Another issue was that because of new safety regulations on some of the products in 2005 WWD had to postpone buying these products from China. Instead they entered into new product development discussions with the former supplier. One of the procurement managers admitted that they had underestimated the value of the existing relationship and the work of switching the suppliers. It was also clear that the standard operating procedures for switching suppliers and establishing new supplier relationships that had been developed a few years earlier were not appropriate in this new context, involving both cultural and geographical distance. There were no exact measurements of the overall costs of the switching process. Nevertheless, it was a common perception among the purchasing staff at WWD that it was worth the time spent due to the much lower purchasing prices in the new relationship.

5. SUMMARY OF ANALYSIS

The case illustrates the considerations that must be made when switching supplier relationships. The switch in this case involved the dissolution of existing connections in the relationship between WWD and the former supplier and the establishment of new ones with the Chinese supplier. Throughout 20

years of interaction, WWD and the former supplier had established extensive actor bonds. Personal relationships were in place and the two companies knew each other very well. In addition, the two companies had established a certain way of using and combining their involved resources, which had turned into routines. A relatively stable and smooth exchange process was in place (despite some problems in recent years) enabled by the various routines. Much time had been used to create stability and to exploit the existing resource combinations. From a learning perspective we may say that the existing relationship was built on a knowledge base that had developed over years of interaction.

When WWD decided to switch the supplier for a new one, the establishment of the new relationship entailed an extensive learning process. Similar knowledge to that in the former relationship had to be built up over again in the new relationship, however, involving a different partner with a unique set of resources. The case reports of these efforts, both when it concerns the handling of the new relationship and the switch itself. Given that the new supplier came from a different culture an extensive learning investment was required in order to create an understanding between the parties. The communication problems illustrate this quite well. Furthermore, even if the routines for ordering, delivery and quality control were viewed as standard, one year of coordination and adjustments were needed to make the operations work satisfactory. It was also a perceived need to make adjustment to and to monitor this relationship on a continuous basis. This means that despite WWD expecting this relationship to be relatively standard, continuous learning processes were needed to make it work.

The case further illustrates that WWD expected to handle the new supplier and use the same routines in this relationship as in the former one. According to WWD the products and the routines were standard and they did not expect the problems that occurred. However, even if the new routines for ordering, delivery, payment and quality control were apparently similar to the existing ones, adjustments were needed to make them work in the new relationship, building relationship-specific versions of the routines and the resource combinations.

6. CONCLUDING DISCUSSIONS AND IMPLICATIONS

In this paper, a case study has been presented, illustrating the efforts made by a buying company to substitute one supplier relationship with another. The findings from the study reveal that a central feature of switching suppliers relates to the learning investments made in an existing relationship and the substitution of these investments in a new relationship. In previous research, these investments have been related to physical assets, organisational procedures and employee training (e.g. Heide and Weiss, 1995, Wathne, Biong and Heide, 2001) or in other words, physical and soft assets (Nielson, 1996). The case in this paper confirms these views, showing how different commitments between WWD and the former supplier act as switching costs when WWD initiated the switch of suppliers. In addition, the study illustrates the learning processes underpinning the establishment of these commitments or actor bonds, activity links and resource ties to use IMP concepts (Håkansson and Snehota 1995). The case shows that learning is directed towards specific relationship partners. This is in line with Håkansson and Snehota (1995) arguing that in any relationship there is a degree of uniqueness since heterogeneous resources from each party are used and combined. WWD tried to utilise knowledge gained in the relationship with the former supplier in the new relationship, for example knowledge about the products and various routines. However, this knowledge was not easily transferred.

There are at least two important theoretical implications of the findings from this study. Firstly, the literature and research on relationship ending and switching costs should take the learning aspect of relationship development into consideration. Another and related implication is that the possibilities of generalising knowledge across relationships need to be nuanced. In mainstream literature on inter-

organisational learning, an emphasis is put on how knowledge gained and created with certain relationship or alliance partners may be used across situations and benefit the companies in general, constituting a competitive advantage (e.g. Hamel 1991; Larsson et al. 1998). In these perspectives learning is primarily related to the development of new products and technologies. This study, on the other hand, underlines the relationship-specific aspect of learning and that much of the knowledge created in a relationship is embedded in routines and specific resource combinations. This may be a competitive advantage, not only because of possibilities of creating new products and technologies, but because of the efficient processes involved. In buyer-seller relationships this is particularly relevant.

The findings in this study suggest that changing relationship partners implies that prior learning investments need to be *translated* in order to work in a new relationship. Translation is different from transfer because it involves adaptations and interpretations. The case shows that even standardised routines and interfaces require extensive learning investments and adaptations to work across different relationships.

An important aspect in this sense is to take the existing routines into consideration and look at both the ostensive and the performative aspect of them (Feldman and Pentland, 2003) in order to understand their true nature and hence what can be used in a new relationship. The main implication for management following from this finding is an acknowledgement of the relationship-specific knowledge embedded in existing relationships. This knowledge, which is embedded into routines and certain resource interfaces, cannot simply be transferred across relationships. Instead of starting from scratch or simply transferring existing knowledge and routines when establishing a new relationship, managers need to translate existing knowledge to fit with the new situation. In this way, benefits from prior investments may be utilised at the same time as the uniqueness of a new relationship is taken into account and allowing for benefits to be gained. In addition, managers must acknowledge the costs of soft investments. While WWD purchasing managers were mainly concerned about the purchasing prices, they admitted to be underestimating the value of the existing relationship. It was also a question of the actual costs of establishing the new relationship compared to the benefits gained through reduced purchasing prices. The purchasers' subjective opinions were that it was well worth the time spent on establishing the new relationship. This finding is in line with Nielson's (1996) argument that as soft investments are intangible it is difficult to appoint them an economic value (Nelson, 1996).

There are several interesting avenues for further research following from the study in this paper. Two are emphasised here. First, future research may elaborate further on the translation mechanism, examining more in-depth the translation process from one supplier relationship to another. In previous research, translation has been related to organisational change (e.g. Czarniawska and Sèvon, 1996) and to the link between intra- and inter-organisational learning (Holmqvist, 2004), but not in relation to switching suppliers. Second, certain hypotheses focusing on the use and adaptations of existing knowledge in switching processes could be derived from this study and tested in a quantitative study across different examples of switching episodes.

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