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ADAPTATION OUTCOMES IN TRIADIC RELATIONSHIP SETTINGS

- Case studies in business travel management

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Abstract

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Based on the ARA framework by the IMP group, this study discusses adaptation outcomes in triadic B2B service relationships in three levels: actor, dyad and triad levels. The study is embedded in the business travel industry, and the core triads consist of the corporate buyer, its travel management company (TMC) and service supplier partners. The findings of retrospective case studies indicate structure-reinforcing triad outcomes, even though actor outcomes are not always positive for all the three parties. In dyad level, the adaptation outcomes are mainly generative, and the TMC strengthens its position in the triads. Supplier-TMC and supplier-buyer dyads remained mainly unchanged.

The study links the dyads to the wider network by incorporating three actors in the research setting. It also shifts the focus of adaptation research to service industry. Furthermore, it provides concepts and classifications to describe adaptation and relationship development in dyadic and in triadic business relationships. Managerial implications involve relationship development in ongoing service supply and sourcing processes.

1 Introduction

Adaptations occur when firms adjust their resources and activities to make fit with those of the counterparts (*Håkansson & Snehota, 1995b*). It is argued that the presence of an adaptation indicates the existence of a relationship, whereas the absence of it points to a transactional approach to marketing and purchasing (Woo & Ennew, 2004).

Adaptation in business relationships has interested specifically the IMP Group researchers (e.g. Brennan & Canning, 2002; Brennan & Turnbull, 1999; Brennan, Turnbull & Wilson, 2003; Canning &

Hanmer-Lloyd, 2001; Hallén, Johansson & Seyed-Mohamed, 1991; Canning & Hanmer-Lloyd, 2002; Schmidt, Taylor & Brennan, 2007). They regard adaptation as a dyadic phenomenon. Havila, Johansson and Thilenius (2004) raised a question whether the dyadic approach to international business relationships should be, in some situations, extended to a triadic one (see also Phillips, Liu & Costello, 1998). In the current study, triadic approach is applied, i.e. each of the three dyadic relationships of a business triad is investigated in the context of the other two dyads to which it is connected.

The triad is a structure completely different from a dyad, but not explicitly distinguished from larger groups (Simmel in Wolff, 1950). When studying dyads, their interconnectedness is neglected, meanwhile in the study of triads, the interconnections link the dyads to the network (Anderson, Håkansson & Johansson, 1994). Madhavan, Koka & Prescott (2004) argue that triadic approach is especially relevant in triads where an intermediary is involved, and all the three actors have direct connection with each other.

Investigating business triads may help to understand the dynamics of a large network. Ritter (2000:319) argues that in order to address the issue of interconnectedness between relationships, it is sufficient to analyze triads, because a network can be deconstructed into triads for analytic purposes, and network effects can be demonstrated by using only a triad. (ibid.) Triad as an analytical tool may help to understand, for example, the dynamics of power, loyalty and commitment in service relationships (Andersson Cederholm & Gyimóthym´, 2005).

The majority of adaptation research is conducted in the manufacturing industry, even though business services typically need higher degree of co-operation and more extensive interaction (Grönroos, 2000; Gummesson, 1991), and thus more adapting than goods. The current study is embedded in business travel industry, where technology development and online bookings have gradually created new business models. The core triads consists of the corporate buyer, its travel management company (TMC), and service supplier partners. Their co-operation is established to accomplish the buyer's business travel management, which is an activity chain where the three actors combine their resources. This process is investigated from the buyer's perspective.

The purpose of this study is to investigate adaptation outcomes in triadic B2B service relationships. The triad of a buyer, supplier, and an intermediary, forms "a network of three independent actors (firms) connected to each other by direct exchange relationships for the purpose of doing business" (Tähtinen & Halinen-Kaila, 1997:2). The theoretical framework builds mainly on the actors, resources and activities (ARA) framework (Håkansson & Snehota, 1995a) by the IMP group. Service marketing and management approach by the Nordic school (Grönroos, 1995) is utilized underpin the service perspective, and sociology theories (Caplow, 1956; 1968) to understand the triadic relationship setting.

This study fills in two major research gaps in relationship marketing. First, it extends the traditional dyadic perspective of adaptation by investigating three-party co-operation. Second, it shifts the focus of adaptation research to service industry. It also provides concepts and classifications that can be applied to describe adaptation and relationship development both in dyadic and in triadic relationships.

The paper is organized in the following way. The second chapter discusses the concept of adaptation and the triadic relationship setting, and builds the analysis framework. The third chapter explains the research and analysis methods. The empirical analysis will be presented in the fourth chapter, and the fifth chapter discusses the major findings. Finally, the findings, contributions, and suggestions for further research are concluded.

2 Adaptation in triadic business relationships

This chapter presents the theoretical background of the study. Prior research on adaptation is reviewed briefly. Some specific features of triadic relationships are discussed, and a framework to analyze adaptation outcomes is presented.

2.1 Adaptation in business relationships

"To sell someone a standard item at a standard price, using standard sales procedures, delivering and invoicing according to standard terms and conditions, and then to claim that you have a relationship with them is either sophistry or self-deception". (Brennan & Turnbull, 1996:30)

Adaptation is a concept that was introduced already in the early IMP studies (Ford, 1980; Håkansson, 1982). The seminal research focusing particularly on interfirm adaptation was conducted by Hallén, Johansson and Seyed-Mohamed (1991). They investigated how adaptations associate with the power balance in the relationship. The other topics in adaptation research have been, for exemple, the driving forces of adaptive behavior (Brennan & Turnbull, 1999; Schmidt & al., 2007), trust, commitment, and dependence (Canning & Hanmer-Lloyd, 2001; Jeffries & Reed, 2000; Mukherji & Francis, 2007), the influence of adaptations on relationship performance (Cannon, et al., 2000), retaining business customers by adapting (Ahmad & Buttle, 2001), adaptation costs and benefits (Schmidt et al., 2007), and adaptation measurement and classifications (Brennan et al., 2003; Schmidt et al., 2007). The focus has also been on the process of adaptation (Brennan & Canning, 2002; Canning & Hanmer-Lloyd, 2002).

2.2 A triadic relationship setting

"By the third, I mean the medium or connecting bond between the absolute first and last. The beginning is first, the end second, the middle third. The end is second, the means third. The thread of life is a third; the fate that snips it, its second." (Peirce in Beaucham, 1931)

Prior research discusses interfirm adaptation. Thus, it is assumed that adaptation is a dyadic phenomenon, even though the interconnectedness of business relationships is well recognized (Walter & Ritter, 2003). There is often a third actor between, for example, a buyer and a seller (Havila, Johansson & Thilenius, 2004), a manufacturer and an industrial client (Håkansson & Snehota, 1995b), a supplier and an end customer (Padro & Salle, 1994), and between two different cultures (Fang, 2001; Trimarchi, 2001). Furthermore, in business organizations with internal centralized functions, a unit or an individual employee has an important role between the end user and the service or product supplier (Andersson Cederholm & Gyimóthym', 2005). In the service triangle (Gutek, Groth & Bennett, 2002; Phillips Carson, Carson, Knouse & Roe, 1997), which is a triad of a customer, service organization, and individual service provider, these three actors are identified as the components of the service delivery process. Furthermore, there are three actors involved in third party logistics (Bask, 1999; Hertz & Alfredsson, 2002), in relationships between international corporation, sales subsidiary or agent, and their clients (Havila, 1996; Havila & Sandström, 1993). Between employers and employees, there may be trade unions, and employment agents (Madhavan, Gnyawali & He, 2004; Phillips Carson, Carson, Bierkenmeier & Toma, 2006). References, word-of-mouth, experience, expectations, and perceptions may also, implicitly or explicitly, influence a dyadic relationship (Salminen, 2001).

There are major differences in dyads, triads, and in larger groups. *First*, in a dyad each of the two participants is met by only one another and not by a collectivity. In triads, *members normally have a chance to interact directly with each other*. Larger groups, conversely, have greater diversity of relationships that can form in them. (Caplow, 1956) Furthermore, when the group exceeds a relatively limited size, interaction must be mediated through formal arrangements (Coser, 1977).

Second, in a triad, the third actor may have different roles. It may keep the triad together by softening the conflicts between the other two. The third actor may also act as a tertius gaudens (the third who rejoices), seeking to turn to his own advantage a disagreement between the other two. Furthermore, through a strategy of divide et impera (divide and rule), he may intentionally create conflicts between the other two in order to attain a dominant position or other gains. (Simmel, in Wolff, 1950)

Third, triads are less stable than dyads or larger groups. A dyad depends only on two participants, and the withdrawal of one would destroy the dyad. The triad, on the contrary, may continue its existence, even though one of the actors would leave, and a new actor would enter the triad. Larger groups, in their turn, tend to be more stable because of the greater diversity of relationships that can form in them. (Caplow, 1956)

Fourth, there is a tendency among the actors of a triad to make coalitions, and to segregate into a dyad, and an isolated actor. Generally, the members of the triad may differ in strength, and a stronger member can control a weaker member. Furthermore, the actors seek control over the

others, and they prefer control over two other to control over one. The strength of a coalition is equal to the strength of its two members. (Caplow, 1968; Simmel in Wolff, 1950).

In business relationships, different types of triads have been discovered. Functions in a triad with an intermediary can remind either of a series of two dyads (serial triad), or functions of a group (unitary triad). In both cases, all the three actors interact on successive occasions, and meet each other face-to-face between certain intervals. The difference is the strength of the relationship between the supplier and the customer, and the role of the intermediary. In a serial triad, the intermediary's role is predefined, meanwhile in a serial triad, the role is adapted to the current situation (Havila, 1996; Havila & Sandström, 1993) In a triad, the three actors may also be indirectly involved with each other, forming a bridge triad where exchange tends to be dyadic in nature. (Stern & El-Ansary, 1992)

2.3 Adaptation outcomes

Adaptation outcomes for firms and for interfirm relationships have been discussed to some extent in prior research. For example, adaptations may strengthen the relationships and make them more active and interdependent. From the supplier's perspective, it may be expected that the client will purchase higher volumes from a specific supplier that has adapted its offering to the client's needs (Brennan & Turnbull, 1999; Canning & Brennan, 2004; Håkansson, 1982). Negative outcomes may involve institutionalization and over reliance on the partner (Pillai & Sharma, 2003). For the buyer, it is more difficult to use alternative sources, as it may cause switching costs (Erbismann, Kock & Strandvik, 1998). However, the impact of adaptations on specific connected relationships has not been studied in prior research.

In this study, I will investigate adaptation outcomes in three levels: actor, dyad and triad levels (See table 1). Positive actor outcomes contribute the firm's final goals, and negative actor outcomes restrain reaching them. Dyad outcomes may be generative or degenerative, denoting either stronger or weaker actor bonds, resource ties, and activity links between two firms. It means, for example, increased, or decreased co-operation and trust, more mutual benefits and understanding. (cf. Schurr, 2007). A dyad may also break, if the contractual bonds, links and ties in cease to exist (Tähtinen, 2002), even though it has been proved that the "relationship energy" may continue to live in various forms (Havila & Wilkinson, 2002).

Triad outcomes may be structure-reinforcing, structure loosening, and structure breaking. Structure-reinforcing outcomes denote more co-operative triads (unitary triads), and structure-loosening outcomes refer to less co-operative triads (serial triads). Furthermore, the triad's structure may change. It changes to a dyad, if an actor is eliminated, and it ends if all the bonds, ties and links end. The dyads and the triads may also remain unaltered despite adaptations.

Table 1: Analysis framework.

Actor outcomes
Positive
-contribute individual
goals
Negative
-obstacle to individual
goals
Unchanged

Dyad outcomes
Generative
-stronger actor bonds, resource ties and
activity links
Degenerative
-weaker actor bonds, resource ties and
activity links
Ending
-no contractual relationships
Unchanged

Triad outcomes Reinforcing -more co-operative

Loosening

-less co-operative

New triad

Dyad

Ending

Unchanged

3 Research method and analysis

This study is explorative, and the theory development is based on an abductive research (Peirce, 1931), to which qualitative case studies are linked. The study is characterized by systematic combining (Dubois & Gadde, 2002), where theoretical and empirical fieldwork, and case analysis advance simultaneously. Ten in-depth interviews were conducted with actual co-operating partners from each of the case firms, including two informants from the corporate buyer, five informants from two different TMC's, and three supplier informants. To capture the frame of reference, I used the critical interview technique based on Flanagan (1954) and developed by Chell (2004). It

"...facilitates the investigation of significant occurrences, events, incidents, processes or issues, identified by the respondent, the way they are managed, and the outcomes in terms of perceived effects. The objective is to gain an understanding of the incident from the perspective of the individual, taking into account cognitive, affective and behavioral elements". (ibid. p.48)

3.1 The research setting

The units of analysis imply six business triads, in which 11 dyadic relationships are embedded. Figure one is an attempt to illustrate this rather complicated research setting. The corporate buyer is the key actor, an international enterprise with a large travel budget. The TMCs (TMC1 and 2) belong to international alliances. The suppliers are two internationally operating airline carriers (airline 1 and 2), and a hotel chain (hotel).

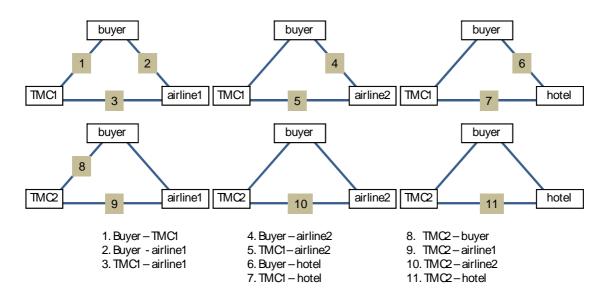


Figure 1: 11 dyads embedded in 6 triads.

The *travel manager* is the key informant who handpicked the supplier and the TMC informants for the study. The second buyer informant is a business *traveler*. The buyer concentrates its business travel to one *TMC* partner at a time. Two TMCs are involved in the study, because the buyer changed the partner during the interview process. The TMC and supplier informants represent managerial level, except for the TMC sales *clerk*. She represents both TMCs, because she changed from the TMC1 to the TMC2 along with the new contract. She also worked for the local TMC that served the buyer before TMC1. The local TMC did not take part in the study as an organization, but majority of the informants have experience of relationships with the local TMC.

3.2 Analysis

The interviews were transcribed and the data were organized into categories of themes with the help of NVivo software package. The analysis was carried out in two stages: within-case analysis and cross-case analysis (Yin, 2002). Within case analysis provided a description for each side of the case. Each case was analyzed in a three-stage interactive process as suggested by Miles and Huberman (1994): data reduction, data display, and conclusion drawing. The data were cross-case analyzed to compare the embedded cases. The dyads are investigated from both ends, which provides *multiple perspectives* to specific adaptations.

The informants described retrospectively *impulses* for adaptations in the core relationships. Four impulses that all the informants regarded as important were chosen for analysis: "a cost saving campaign", "a change in earning logics", "a convergence of business and leisure travel", and "a new sales channel". They are used as "windows" to look at adaptations. Direct quotations are used to support the conclusions, and to highlight the closeness between the empirical data and the interpretation. Trade magazines and industry reports are utilized to support industry specific information.

4 Adaptation outcomes in the core business triads

This analysis builds on the four adaptation impulses. First, some facts related to each of them, and an analysis of their actor outcomes and dyad outcomes is presented. Second, triad outcomes are analyzed as a continuum.

4.1 A cost saving campaign

"...then we got this project [to organize business travel], which was a part of a big savings-project, and we started to figure out where we could save money...It was then when we got this rules of travelling only in economy class..." (Traveler)

The corporate buyer organization started an extensive cost saving campaign in the late 1990s. This was due to internationalization of the buyer's operations, and thereby growing business travel. Before the saving campaign, corporate buyer's business travel purchase was transactional. Travelers and their secretaries made practical travel arrangements mainly with a local TMC, and several suppliers were used. Business travelers were more or less free to travel as they wished, and no attention was paid to the costs. Other companies with large travel budgets had organized their business travel already years ago, and the corporate buyer was "famous for flying in business class, and wasting money" (traveler).

A number of people were working with the administration around travel advances and expense reports, but no integrated guiding or reporting existed. According to a supplier informant, travel management was

"a traditional distribution channel, supplier-intermediary-end user channel... TMCs acted as gate keepers, and the roles were quite clearly divided so that buyers were buying and relaying on the TMCs' objectivity to distribute the best and most inexpensive services from the providers." (Airline)

4.1.1 Actor outcomes

During the cost saving campaign, the buyer's actual travel costs turned out to be much higher than estimated. However, with the measures taken during the process, *the buyer* managed to cut down its travel costs even though business travel increased.

"...we had to somehow concentrate all the countries we were travelling to. To get it managed in a reasonable way, to get a common policy, common partners, and collective reporting..." (Traveler)

A centralized travel management network was created together with the TMC1 and the preferred suppliers. The buyer started to coordinate the travel management process, and both internal and external relationships within it. The decision power moved from the travelers and the TMC to the buyer organization, enabling efficient cost control.

The buyer chose the three *suppliers* and the *TMC1* as the preferred partners. For them, the cost saving campaign led to reducing yields and lower incomes. Each seat was sold with a lower price:

"When business travel was downgraded from business class to economy class, our yield went down, of course. It led to a saving campaign for us as well." (Airline)

The *TMC* obtained its incomes from sales commissions that were based on ticket price. Generally, growth in traffic volumes would have a positive impact on TMC's income. Earlier, business class and first class passengers were the major source of income and the growth in that sector would affect their income much more than the growth in economy class. (Cranfield University, 2000)

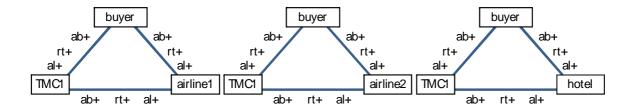
4.1.2 Dyad outcomes

Even though the saving campaign did not have directly favorable impact on the suppliers and on the TMC, adaptations enhanced long-term co-operation. This created strong *actor bonds* both in organizational and in individual level:

"When the situation is challenging, there is a lot of discussion... It is not only to put your name on the paper, but there are a lot of discussions, which strengthen the relationships, also personal relationships." (Hotel)

Travel management process became the primary activity chain performed in co-operation, and resources were shared to make this chain work efficiently. Resource ties and activity links in all the

three dyads became stronger. Thus, the adaptation outcomes were generative, as visualized in the figure 2.



ab=actor bonds; rt = resource ties; al = activity links + = stronger bonds/links/ties

Figure 2:

Saving campaign: dyad outcomes.

4.2 A change in the earning logics

"The airlines wanted to sell each possible seat at highest possible price. And in the other end the corporate buyer wanted to have the seat at cheapest possible price, and for years we have been somewhere in the middle." (TMC)

Traditionally, airlines used TMCs as an intermediary and a distribution channel for selling flight tickets, because there were no other alternatives. They paid TMCs a percentage-based commission on the issuance of a ticket. The main factor affecting TMCs income was the level of commission paid by the airlines including override commissions, i.e. additional commissions paid by the airlines when a certain volume level is achieved. Also traffic volumes, the share of business class and economy class ticket, and airline ticket prices had an impact on TMCs revenue. For the airlines, ticketing, sales and promotion were the second largest cost after labor. Industry wide, commission costs was the largest proportion of distribution costs, representing approximately 10 % of them. (Cranfield University, 2000) In the beginning of 2000s, airlines gradually removed their sales commissions.

4.2.1 Actor outcomes

For the *suppliers*, eliminating commissions led naturally to savings in delivery costs. The *TMC* started to charge service fees from their clients, which made the relationships more open. The development was positive for the TMC:

"We have been in the industry where we used to receive our payments from our suppliers, and we have seen the change over the last couple of years...we personally feel it is the right way forward. Because we see our role as an adviser, and if you are not paid by the ones you give the advice, how neutral are your advice?" (TMC)

Simultaneously with the commission cuttings, competition pushed flight rates down, and a predetermined service fee ensured the TMC's earnings.

"...flight fares have gone down with 30 % during five years. If we were still getting sales commissions, our revenue would also have gone down with 30 %." (TMC)"

Commission free sales clarified the rate structures also for the buyer, because the override commissions were eliminated:

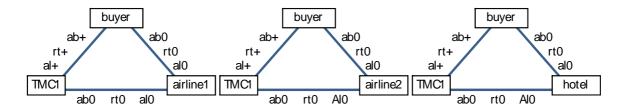
"At those times when all the airlines had different commissions, it was unclear... Many TMCs gave probably away [to the client] a big part of their commission to be able to keep the client." (Clerk)

4.2.2 Dyad outcomes

The TMC moved "from the supplier's side to the buyer's side", as the TMC informant puts it:

"Earlier, we were the suppliers' functional supply chain. Of course, that's what we still are, but now when we do not get commissions, we have become the client's partner, in other words, and we have changed from the supplier's side to the client's side." (TMC)

The TMC's new role as a neutral advisor and consultant strengthened the *resource ties* and *actor bonds* between the *TMC and the buyer* (see fig. 2). The TMC's new services also created new links in the *activity chain*, denoting *generative outcomes*.



ab = actor bonds; rt = resource ties; al = activity links + = stronger bonds/ties/links; 0 = unaltered bonds/ties/links

Figure 2: Change in earning logics: dyad outcomes.

When the commission cuttings were first introduced, they tightened airline – TMC relationships. However, they did not cause major alterations in the relationships, when it was realized that the change was for the TMCs' best.

4.3 A new sales channel

"...we do not have time to surf in the Internet, it is too expensive, and we do not find all the rates there"... (Travel manager)

Before the Internet, Computer Reservations System (CRS), a system used to store and retrieve information and to conduct transactions related to travel, played a remarkable role in business travel distribution. The CRSs were originally created and operated by <u>airlines</u>. Major CRS operations that book and sell tickets for multiple airlines are known as Global Distribution Systems (GDS). From the early 1980s onwards, TMCs adopted CRSs and afterwards GDSs. For suppliers, CRSs and GDSs provided the opportunity to develop effective yield-management techniques. Furthermore, they no more needed to employ large numbers of employees to deal with telephone bookings, because the suppliers were able to display availability directly to TMCs via the system. Until late in the 1990's, the traditional travel distribution evolved with an integrated group of players; suppliers, CRSs, and TMCs. Their success was interdependent, for example, if an airline sold a seat and made money, so did everyone else in the chain. (Bédard, 2002; Tretheway, 2004) The internet changed the relationships dramatically.

4.3.1 Actor outcomes

Booking and distribution costs decreased due to the new technology. Thus adaptation outcomes are positive for all the actors. Internet was at the first sight regarded as a threat to the TMCs existence. There are a number of additional services for which the TMC is needed, which ensured their place in the triads:

"...to update information is the core thing. For example, we have a group in our back office that updates the flight rates for sales clerks...Believe or not, 210 000 flight rates are updated every single day. And the same goes with hotels, ferries, car-hire...we have a client whose employees consist of 55 nationalities that need an unbelievable number of visas only when traveling inside Europe. Only to update visa database is a reasonable challenge." (TMC)

Because of the complicated rate structures and fragmented delivery, the TMCs' role changed from a "ticket dealer" (TMC) to that of the client's consultant and advisor that provides the buyer with "a marketplace":

"...we still see TMC as the marketplace. You can go to the market and you can look at the various tables and see where I want to buy my vegetables. Where do they look the best and where are the prices best. They can do that by comparing, and you can only do that on the market. But if you leave the market and go down into the smaller streets where you have the specialists' shops, you can find a good price back there, but they won't tell you if the shop next door does actually have a similar product put at a better price... You would then have to spend the time looking at all these small shops. And we see the same way that when you need a trip from A to B and back again, you need to find out how can we do that in the most efficient and convenient way. Well, we can go to airline a, and go to airline b and ask what the price is. And then it takes you some time to get used to that. Also there is of course the question about money stream. You may need travel account with airline b, card with airline a, and so on. Compared to if you use an agency (TMC) there is only one stop shopping..." (TMC, Manager)

4.3.2 Dyad outcomes

Adaptations in technology turned out to be the turning point for the *buyer - TMC1* relationship. The relationship ended (fig 3):

"Instead of starting to surf in the Internet ourselves, we needed a partner who can give us all the rates. It meant that our TMC partner wasn't the best for us anymore, but we had to get a partner equipped with the new technology and skills...they were not able to offer us the right equipment." (Travel manager)

Actor bonds, resource ties and activity links in the other two dyads remained unaltered, as visualized in the figure 3.

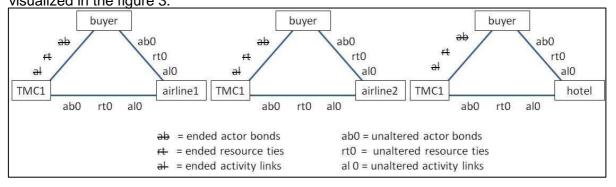


Figure 3: New sales channel: dyad outcomes.

The buyer chose a new TMC partner (TMC2). The TMC's value in the distribution network was reevaluated, and actor bonds between TMC and the buyer became strong.

"...and then we got these Internet rates, and the value of the TMC returned to the same level it was in the 1980s when they were able to find all the best rates for their client, provided that they have the right equipment [technology]"... (Travel manager)

Technology helped in developing travel management process to a total process with integrated payment handlings and management reporting. This strengthened *resource ties* and *activity links* in *all the three dyads*, and made the actors more interdependent. Bypassing TMC was not possible for the suppliers:

"We do not have resources to do anything ourselves...earlier they often phoned from the TMC, saying that there is a client coming to change his ticket...we can't do it any more...the TMC is doing it for us. TMCs are still our most important distributors." (Airline)

However, the buyer's access to the variety of alternatives led to fading loyalty (see fig. 4), because "...the clients are shopping more and more. They are not as faithful as they used to be." (TMC)

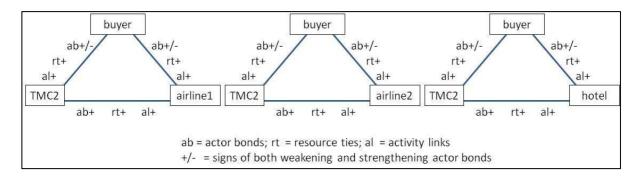


Figure 4: New sales channel: dyad outcomes.

Actor bonds between *TMC – buyer*, and *buyer - suppliers* featured as well strengthening resource ties and activity links as weakening actor bonds. Thus, the outcomes were both *generative* and *degenerative*.

4.4 A convergence of business and leisure travel

"... corporate fares have been useful for a period of time, but now we see that typically they are based on flexibility...if company has a policy saying you need to travel as cheap as possible, you need to plan, because planning is the golden key to obtaining savings." (TMC)

Traditionally, suppliers direct their services to two customer segments, business travelers and leisure travelers, even though it is difficult to specify whether services consumed for business-related reasons are consumer or industrial services. Business travel may be defined as a consumer service, as it is the business traveler who uses the service as a completed product. However, business travel is conducted due to work-related tasks, and the trip is usually paid by the employer. Corporate buyers negotiate with suppliers corporate discounts that are based on purchasing volume, and provided off published fares. However, airlines do not distinguish between travelers if a leisure traveler wishes to purchase a ticket directed to business traveler, or the other way round. (Mason & Gray, 1999; Rose, 2008)

It is assumed that business travelers place high value on ticket flexibility and low value on cost. Leisure tourists are regarded as less demanding and more price conscious. Thus high cost, fully flexible tickets have been aimed at business travelers. The airlines, for example, had a revenue management system, which allowed them to sell the same seat for 15 to 20 different prices, depending on which market segment the traveler belonged to. Business travelers were kept away from the low fares by placing a requirement to stay over Saturday nights (Sunday rule) and to buy the ticket two weeks in advance. (Mason & Gray, 1999; Rubin & Joy, 2005; Teichert, Shehu & von Wartburg, 2008) Gradually, business travel has become commonplace and leisure travel has expanded. Published fares have raised and economy fares have gone down. Thus, negotiated fares have lost their importance.

4.4.1 Actor outcomes

Generally, suppliers are expected to adapt to the buyers' needs (Brennan, Turnbull & Wilson, 2003). In the current case study, the *buyer* and the *TMCs* adapted towards the suppliers. For example, the TMCs found a way to save the client's money. They bypassed the airlines' minimum stay requirements by delivering two return tickets that could be used crosswise:

"And then the creative people found out that you could use two tickets instead, one for the outbound and one for the homebound, and basically buy two journeys and that way save money." (TMC)

Travelers learned to use these tickets. However, they were laborious to book and to use. Sometimes the tickets ended up in a dustbin, and there was an empty seat on the plain.

"...we can use the crosswise tickets quite fluently. However, quite often the other half of the ticket ends up in a dustbin because we were not able to plan, and there was a wrong date in the ticket." (Traveler)

The savings were lost, and empty seats in fully booked plains were not good for the airlines' reputation. Thus, one-way budget fares were welcomed by the corporate clients and TMCs:

"We see a tendency now that once more the airlines are creating fare types where you get rid of this system [crosswise tickets]. If you are away two days, for instance, you can do that in economy class same week on one ticket only." (TMC)

4.4.2 Dyad outcomes

Adaptations strengthened bonds and links between the buyer and the TMCs, and tied their resources (fig. 5). Thus, relationship development was generative. However, there were signs of weakening actor bonds with the airlines:

"The benefits of the contract with suppliers have clearly faded; meanwhile the value of the contract with the TMC has strengthened." (Travel manager)

The corporate buyer and the TMCs blamed suppliers for not understanding the clients' needs:

"...the rates are mixed up; they [airlines] have services they don't want us to deliver..." (clerk)

Disagreements occurred also in the relationships with the hotel chain:

"Sometimes the corporate buyers think they get the cheaper rate [leisure travellers' rate], but with all the positive benefits the corporate rate includes" (Hotel)

The relationships with the suppliers remained unaltered despite the occasional discrepancies. Interdependence and the lack of alternative suppliers kept the actors together.



ab=actor bonds; rt = resource ties; al = activity links +/- = stronger/weaker bonds/ties/links; 0 = unaltered bonds/ties/links

Figure 5: Convergence of business and leisure travel: dyad outcomes.

4.5 Triad outcomes

During the investigated period, the triads went through several phases. The development was primarily *structure-reinforcing*. The triads changed from bridge triads to serial triads, and finally to unitary triads, as visualized in the figure 6. The bolded lines picture strengthening relationships when compared to the preceding phase.

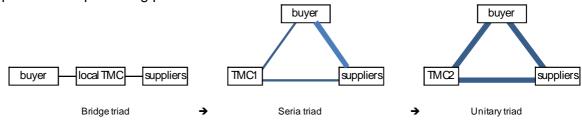


Figure 6: Structure reinforcing outcomes.

Before the saving campaign, there were three actors, but the interactions were mainly dyadic. The triads were *bridge triads* (cf. Stern & El-Ansary, 1992) with the local TMC as a link between the buyer and the suppliers. After *the saving campaign*, they transformed to *serial triads* (cf. Havila, 1996), where the three actors have direct connection to each other. TMC1 had a predefined role between the buyer and the suppliers to "...accomplish the contracts the client has negotiated" (TMC). The tasks were divided clearly between the TMC and the suppliers:

"Service suppliers' goal was to bind corporate buyers with long-term contracts. TMC's goal was to realize the contracts" (TMC).

A new triad was formed when the relationship between the buyer and TMC1 ended. The roles of the actors mixed to some extent. The buyer organization took a more active role in the triad by taking over some of the TMC's work. The new triad featured a group, i.e. it changed from a serial triad to a unitary triad (cf. Havila, 1996).

"...so it is actually that we provide them [corporate clients] with the tools that our agency is sitting with, but on user-friendlier interface. There are of course some limitations, there are some things you cannot do yourself, which is regulated by law. But other things you can do precisely as if you are a real agent, but with easier commands" (TMC)

The tasks the TMC2 was supposed to maintain were adapted according to the client's and suppliers' needs. Suppliers, specifically airlines, increased direct sales of simple point-to-point travel, and the TMC was forced to find new ways to serve its clients:

"...within this industry, you have to be a chameleon. You have to shed your skin every morning, and do the things in a new way...there are no limits, no ceiling to finding new ways to serve your clients, all of them need their own solution." (TMC)

5 Discussion of the findings

The structure-reinforcing triad outcomes describe *long-term relationship development* that affects the triads' structure. However, things appear simple on the surface. *Degenerative dyad outcomes* and *negative actor outcomes* may have an impact on the *short-time relationship development*. For example, there were occasional disagreements between the buyer and the suppliers, and the TMCs formed coalitions with the buyer when adapting to the service offerings. There was even an end in contractual relationships between the buyer and TMC1.

Gadde (2004) argues that activity *interdependence* increases in distribution arrangements other than traditional channels. The complicated business environment made the buyer increasingly dependent on the TMC. The change in the earning logics confirms the unitary triad nature of the triad. The TMC2 obtained a firm position between the buyer and the suppliers. Suppliers, as well, admit *that*

"We do not have the capacity to serve all our clients directly" (Airline)

Interdependence facilitates co-operation (Holma & al., 2009), and it is important for generative relationship development that the actors have significant and "roughly the same dependence upon the relationship" (Anderson & Narus, 1991:101), as in the current case study:

"We are all dependent on each other. The client needs us, and we need the client more than it needs us, whereas the airline needs both of us, very much. And specifically us to deliver its services." (Clerk)

It seems like the TMCs have succeeded in *reintermediating*. In the travel industry, *disintermediation*, i.e. the possibility to bypass intermediaries with the help of technology is a widely discussed phenomenon (cf. Ancar, 2001; Bédard, 2002; Lu, Deng & Wang, 2003). Reintermediation is the process whereby the disintermediated actor re-establishes its role in the market. A traditional intermediary has then incentives to develop e-commerce capabilities and start competing in electronic markets as well. Important features for the reintermediating actor are the technological innovation and the assets the intermediary has in a traditional market, and its ability to reconfigure them in the e-commerce enabled marketplace. Furthermore, the intermediaries' power, originating from their current direct relationship to end customers, may force suppliers to abandon efforts to fully bypass intermediaries. (Chiru & Kaufman, 1999) The TMC's expertise in the complicated industry is valued, even though there are other alternatives:

"...the buyer might choose to co-operate with an information technology provider, or a credit card company instead of the TMC, provided that the buyer has extremely good knowledge of the industry". (Travel manager)

In the current study, the TMC was a central actor in executing adaptations in practice, specifically the clerks. They also helped in following through the change processes.

"The contacts I have with the persons who sit there [TMC clerks in corporate buyer's premises], are extremely important. It is very good that they followed with the new TMC." (Airline)

Power is closely related to interdependence. In adaptation, the more powerful actor may coerce adaptations, or it may, for some reason, hold back using its power. In the core triads,

"...it is the corporate buyer who steers this boat." (TMC)

The history and relational norms of the relationships may have an impact on how power is used. (Brennan & Turnbull, 1999; Håkansson, 1982; Hallén, Johansson & Sayed-Mohamed, 1991; Wilkinson, 1996). In the core triads, there were situations where the buyer used its power:

"...they [buyers] were the ones to make the decision that we don't want to travel business class any more. And if it had been up to the airlines, the economy class would have disappeared." (TMC)

Holmlund and Hobbs (2009) argue that it can be as well the seller as the buyer who ends the relationship. However, the informants of the current case study claim that it is always the buyer's decision. According to the suppliers:

"We never break the relationship. In the contracts, there are these conditions of our notice of termination, but it never happens. (Hotel)

"...the contracts do not bind the clients..." (Airline)

However, the buyer emphasizes the value of long-term relationships, and can restrain to use its power. For example, the reasons for partner switching are considered thoroughly:

"We have no need to change the partner because of a cost of an individual transaction, there has to be a clearly heavier reason for the change." (Travel manager)

6 Conclusions, contributions and further research

Business relationships form complicated networks in the increasingly dynamic business environment. This research addresses the complexity of business relationships, both when it comes to the core phenomenon, adaptation, and the structural context of the research, the triadic relationship setting. Furthermore, the research is embedded in service industry, where services and service processes are often created in co-operation with the client, suppliers, and the intermediary.

With this research, I have filled two major research gaps in relationship marketing. First, I have extended the traditional dyadic perspective of adaptation to incorporate three actors. Second, I have shifted the focus of adaptation research from manufacturing industry to B2B services. I have also created new concepts and classifications that can be applied in adaptation research, and when researching co-operation in dyadic, and in triadic relationship settings. For managers, the study provides tools to evaluate relationship development in ongoing service supply and sourcing processes in triads and in larger networks.

There are numerous avenues for further research, because adaptations in triads have not been studied before. First, this case study is conducted in one industry. Research on triadic relationships in other B2B service contexts, for example architecture and design services, financial services, and property services could enlighten the topic.

Second, in this case study, one of the core actors was changed, and the same activity chain continued with the new actor. It would be useful to investigate how the TMC was able to take advantage of adaptations made in the former triads.

Third, the buyer created a successful international travel management concept with the help of its partners. A study of how triad specific adaptations can favor the development of the industry (cf. Walter & Ritter, 2003: network effects) would be appealing to conduct. Suppliers and TMCs have other clients that need similar arrangements. The same question could be posed regarding technology development and the integration that happens within the travel management process.

The fourth suggestion moves from the industry level to the individual level. In the current case study, the TMC clerks' role was crucial. The majority of them followed through all the changes in the triads. The clerks act as a link between the buyer and the suppliers, and also between travelers and their employer. Their role in the adaptation processes would deserve further research.

Finally, to conduct this research, I chose qualitative methods. Thus, I had no tools to quantify adaptation. There are a number of research gaps that could be filled by quantitative methods, for example quantification the amount of emergent adaptation (cf. Canning & Brennan, 2004), the costs and benefits of adaptation decisions (cf. Schmidt, Tyler & Brennan, 2007), and evaluation of returns on investment for the three actors once the adaptation process is completed (cf. Brennan & Canning, 2002).

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