Measurement Model for Inter-Organizational Networking

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Abstract

This study proposes the concept of *networking capability* (NC) as the complex organizational capability oriented towards managing business relationships along all the main stages of the development of these relationships. The main proposition is that such a NC capability exists, and can be measured, for various types of business partners (especially customers and suppliers), and that NC represents an important factor that influences significantly firm performance. In order to define the NC concept and develop as well as test a measurement model for it, this study uses empirical research and integrates it with the existing literature on business networking-related capabilities.

This study distinguishes itself from previous research on networking-related capabilities which not only utilize activities and routines at the company level to measure relational capabilities, but incorporate emotions and attitudes of managers towards their exchange partners (Ritter, Wilkinson, and Johnston 2002; Walter, Auer, and Ritter 2006) The present research differentiates itself from such studies by developing and testing measurement model of NC that are consistent with a grounding in the RBV, specifically the dynamic capability view of the firm (Teece, Pisano, and Shuen 1997).

Keywords
Networking, dynamic capabilities, focal company, scale development

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INTRODUCTION

Research on inter-organizational marketing and supply chain management accepts business relationships as a source of competitive advantage (eg. Dyer and Singh 1998; Mesquita, Anand, and Brush 2008). However, the main emphasis of such research is on tools to strengthen, and benefit from, existing relationships with suppliers and buyers. Managing the origins of business relationships, as well as the ending of relationships does not receive the same amount of attention (Joshi and Stump 1999; Tahtinen and Halinen 2002; Edvardsson, Holmlund, and Strandvik 2008). However, business relationships are changeable, often even turbulent phenomena (Halinen et al. 1999; Ahuja, Soda, and Zaheer 2007; Dahlin 2007) which undergo distinct stages (Ford 1980; Dwyer, Schurr, and Oh 1987). Consequently, management and marketing theory should provide business practitioners with concepts and tools which are useful for managing such dynamics for relationships on the downstream (customer) as well as on the upstream (supplier) side of their business (Juttner, Christopher, and Baker 2007).

To address this gap in the literature, this study proposes the concept of *networking capability* (NC) as the complex organizational capability oriented towards managing business relationships along all the main stages of the development of these relationships. The main proposition is that such a NC capability exists, and can be measured, for various types of business partners (especially customers and suppliers), and that NC represents an important factor that influences significantly firm performance. In order to define the NC concept and develop as well as test a measurement model for it, this study uses empirical research (qualitative as well as quantitative) and integrates it with the existing literature on business relationship-related capabilities. Prior empirical studies provided evidence that capabilities enabling different aspects of initiating, developing, and ending relationships are associated with firm performance, but these studies do not fully capture the changeable nature of business relationships, or they conceptualize such capabilities only with regard to specific relationship partner group (eg. Reinartz, Krafft, and Hoyer 2004; 2006). Many recent studies focus on capabilities oriented at specific stages of business relationship development, e.g. relationship termination (Ritter and Geersbro 2011; Havila and Medlin 2012, in press), but do not integrate capabilities that are important for managing different relational stage. A noteworthy exception is the study by Reinartz, Kraft, and Hoyer (2004) which includes capabilities aimed at initiation, development, and termination of business relationships simultaneously. However, their study specifically focuses on Customer Relationship Management (and therefore has a focus on issues of systems and technologies) and considers only customer relationships, not those relationships with suppliers. Thus, our study contributes to the theory and practice of relationship management by proposing a conceptualization and measrurement model of NC with regard to all main relationship stages and all main types of business partners.

In order to develop such a conceptualization and measurement model of NC, the study follows similar apporaches with regard to relational capabilities, and is therefore grounded in the resource-based view of the firm (RBV) by utilizing concpets around capabilities and competences of a firm, specifically dynamic capabilities (eg. Hamel and Prahalad 1990; Teece and Pisano 1994). Consequently, the NC conceptualization emphasizes the establishment of behavioral routines which are followed within the organization. Thus, the measurement model reflects the resulting construct definition and its theoretical origins (Churchill Jr 1979). This study therefore distinguishes itself from previous research which not only utilize activities and routines at the company level to measure relational capabilities, but incorporate emotions and attitudes of managers towards their exchange partners (Ritter et al. 2002; Walter et al. 2006) This inclusion of non-behavioural aspects leads the literature to develop concepts such as *relationship marketing orientation* (Sin et al. 2005) or *relationship orientation* (Palmatier et al. 2008). The present research differentiates itself from such studies by developing and testing empirically valid and reliable measurement model of NC that are consistent with a grounding in the RBV, specifally the dynamic capability view of the fim (Teece et al. 1997).

The structure of the paper is as follows: First, the paper presents a brief theoretical background of relational capabilities, and derives and defines NC, including its components, within the framework of a dynamic capability view of the firm. Secondly, the paper outlines the development of the NC measurement model, including its validation via qualitative and quantitative research. The paper concludes with a discussion of the findings, its implications, and limitations of the study.

BACKGROUND AND PREVIOUS RESEARCH

Conceptual Grounding

This study uses two main concepts: the main foundation for developing a conceptualization and measurement model is the dynamic capability view of the firm (eg. Teece et al. 1997; Zollo and Winter 2002; Teece 2007), abbreviated here as DCV. Furthermore, in order to understand the phenomenon at hand, i.e. business relationshiops with customers and suppliers, the study uses the relational view of the firm (eg. Dyer and Singh 1998; Capaldo 2007; Lavie 2007), abbreviated as RV. In recent years these two concepts received much attention in the management literature (Wagner 2006; Ritter and Geersbro 2011).

DCV is an extension of the RBV (eg. Wernerfelt 1984; Barney 1991) and treats capabilities as the complex intangible organizational resources which take form in patterns of behaviors or activities followed by all members of an organization. DCV emphasizes the changeable nature of competitiveness and suggests that the most successful companies constantly reconfigure and redeploy their resources to increase performance (Eisenhardt and Martin 2000; Teece 2007). The concept of NC relates to such complex dynamic capabilities, particularly those capabilities which enable a firm to shape their relationships with external partners, thereby optimizing different portofolios of buisness relationships, and re-allocating important resources (eg. time, investments, technical competences) from one business relationship to another. Therefore, this study suggests NC as a managerial capability to handle a company’s business relationships dynamically, i.e. each relationship according to the different stage it is in, and in the context of other business relationships of the firm (Roseira, Brito, and Henneberg 2010).

In contrast with the DCV, RV assumes that the source of company’s competitiveness lies partly outside the company, particularly in its relationships with other business actors, such as customers and suppliers. More specifically, RV assumes that a firm learns, and achieves various resource synergies, through exchange relationships. RV treats inter-organizational relationships as complex phenomena that consist of various dimensions, such as technical, social, or knowledge-related aspects (Dyer and Singh 1998; Ford and Hakansson 2006). The focus of research using RV has grown in scope over time: from managing individual business relationships, that is dyads (eg. Ford 1993; Dyer and Singh 1998), to a set of business relationships, that is a relationship portfolio (eg. Parise and Casher 2003; Lavie 2007), to designing firm strategy within the whole business network, such as portfolios of direct and indirect customer and supplier relationships (eg. Ford, Gadde, Hakansson, and Snehota 2003; Gadde, Huemer, and Hakansson 2003).

This study conceptualizes NC from the perspective of a focal company with regard to its set of direct business relationships with the two most important exchange groups, that is customers and suppliers. The literature uses various concepts with regard to such sets of relationships: relationship portfolios (eg. Woodside and Trappey 1996; Olsen and Ellram 1997), strategic business net (Möller, Rajala, and Svahn 2005), focal network (eg. Tikkanen 1998), or ego-centric network (eg. Hansen, Reese, Bryant, Bishop, Wyrick, and Dyreng 2008). In order to distinguish this study's conceptualization from incorporating seemingly boundaryless business networks on the one hand (Ford et al. 2003), and portfolio approaches for specific business relationships on the other hand (Terho and Halinen 2007; Federgruen and Yang 2008), this study uses the notion of *networking capability* (NC) vis-à-vis direct customer as well as supplier relationship portfolios, in line with suggestions by Ford et al. (2003) that networking comprises the set of focal company actions through which it shapes its portfolio of business relationships.

Networking Capabilities: Deviration and Definition

Issues about networking-related capabilities are discussed in the literature in a fragmented manner, and prior studies in this area do not generally integrate different relationship stages or several groups of business exchange partners. However, existing studies contribute by providing the evidence that business networking is the source of competitiveness. Ritter, Wilkinson, and Johnston (2002), as well as Walter, Auer, and Ritter (2006) conceptualize and operationalize *network competence/capabilities.* Ritter, Wilkinson, and Johnston (2002, p. 120) studied network competence as a two-dimensional construct and defined it as "*the degree of network management task execution and the degree of network management qualification possesed by the people handling a company's relationships*". Walter, Auer, and Ritter (2006, p. 546) build on this definition and study network capabilities, defined them as "*abilities to initiate, maitain, and utilize relationships with various external partners*", in the specific context of spin-offs. They distinguished four types of capabilities: coordination, relational skill, partner knowledge, and internal communication. However, these two studies have not fully captured the changeable nature of business relationships, specifically these studies do not deal with issues of relationship termination. On the other hand, Reinartz, Krafft, and Hoyer (2004) study management processes related to CRM systems with regard to various stages of relationship development (including relationship initiation and terminationa) and test their influence on firm performance. However, they focus exclusively on customer relationships. Similarly, Ritter and Geersbro (2011) study relationship termination capabilities but only in the context of customer relationships. Havila and Medlin (2012, in press) conceptualize relationship ending competence but include various types of business partners, including customers and suppliers. Their conceptualization is specific to the context of relational termination issues (specifically, manufacturing plant closures) in the car industry. Thus, different issues relating to NC have been covered in the extant literature but an integrated perspective of NC, including managerial capabilities aimed at different relationship stages (from initiation, to development and termination of a relationship), as well as different exchange partners (particularly business suppliers and business customers), is missing.

Dyer and Singh (1998) conceptualize relational capabilities as the strategic activities which may bring about common benefits for all involved partners. Similarly, Johnsen, et al. (2000) suggest targeting mutual benefits as the factor distinguishing networking from other activities. However, the literature also suggests that a focal firm may acquire benefits from a business relationship opportunistically, that is via a 'Trojan horse' strategy (Hennart, Roehl, and Zietlow 1999; Kale, Singh, and Perlmutter 2000; Mesquita et al. 2008). Recent studies emphasize the problem of unilateral or unequal appropriation of relationship-based rents (Lavie 2006, 2007; Dyer, Singh, and Kale 2008). The present study therefore includes in the conceptualization of NC the managerial activities which may bring about both shared (relationship-specific) and private (focal company-specific) benefits. In summary, the integrated perspective on NC, based on a DCV, and informed by RV, defines NC as the *set of activities and organizational routines which are implemented at the organizational level of the focal company to initiate, develop, and terminate business relationships for the benefit of the company*.

Similarl to Reinartz et al. (2004), the conceptualization of NC which this study uses focuses on three main stages of relationship management process, i.e. initiation, development, and termination. There exist alternative perspectives to frame business relationship dynamics, for example, comprising more detailed relationship stages (Powers and Reagan 2007), relationship statuses (Edvardsson et al. 2008) or even relationship episodes (Schurr, Hedaa, and Geersbro 2008). However, we focus on the commonly used tripartite perspective on relationship stages (Reinartz et al. (2004) and therefore posit three components of NC which are each specific to one of the three relationship stages: NC is comprising a *relationship initiation capability*, a *relationship development capability*, and a *relationship termination capability*.

THE COMPONENTS OF NETWORKING CAPABILITY

Relationship Initiation Capability (RIC)

Successful companies are systematically searching for new relational partners, or are replacing some existing relationships with new ones, to enrich their overall relationship portfolio, both on the customer and supplier side. New relationships bring new impetus to the relationship portfolio, for example to increase the focal company's innovativeness (Hagedoorn 2006; Capaldo 2007; Dittrich and Duysters 2007). Even if new relationships are based on social ties (Gulati 1998), later institutionalization transforms these ties into inter-organizational relationships or weak ties (Granovetter 1985). For the purpose of our study, we define RIC as the *set of activities and organizational routines which are implemented at the organizational level of the focal company to initiate business relationships for the benefit of the company*. In line with Edvardsson et al. (2008) this study assumes that the initiation phase of relationships ends after the first 'business agreement' with a customer or supplier, i.e. RICs relate to capabilities which are relevant before such an agreement.

The literature distinguishes further aspects relevant for RIC which can be used to develop measurement models. In particular, such sub-components relate to *selecting valuable companies as new business partners*, and *attracting valuable companies*. With regard to the *selection* of business partners, the extant literature focuses on understanding desirable attributes of such customer or supplier companies, rather than on the possible quality of the relational ties (Lavie 2007). The desirable partner features are, for example: technological and commercial prominence of partners (Stuart, Hoang, and Hybels 1999), partner image and prestige (Gulati and Higgins 2003), or technological innovativeness (Stuart 2000). Partners' bargaining power, on the other hand, is identified as a negative feature (Lavie 2007). Dwyer, et al. (1987) suggest that firms seek potential new business partners with similar values and complementary resources. Hitt et al. (2000) show that alliance partners are selected largely for access to resources and organizational learning opportunities Thus, we argue that the focal company may focus on some specific features to select new business partners: financial assets, technical capabilities and intangible assets , and with regard to a possible relationship, for example, a willingness to share expertise or local market knowledge (Zaefarian, Henneberg, and Naudé 2011).

Attracting relational partners has also been discussed as an important part of setting up new relationships (Dwyer et al. 1987; Ring and Van de Ven 1994; Das and Teng 2002). Firms tend to attract partners on the basis of information spread through managers' personal ties (Uzzi 1996; Gulati 1998). Thus, attracting new business partners takes place within a somewhat predefined set of given network actors. On the other hand, Beckman et al. (2004) emphasize that firms expand their relational portfolios by motivating new partners with no previous interaction history. The present study incroporates both aspects and argues that successful companies implement activities which allow them to attract new partners with whom they have some (often social) direct ties, as well as partners with no prior ties at all.

Relationship Development Capability (RDC)

Prior studies extensively discuss managing and developing mutually beneficial relationships as an imortant managerial task (eg. Blomqvist and Levy 2006). This study defines RDC as the *set of activities and organizational routines which are implemented at the organizational level of the focal company to develop, i.e. manage and strengthen, business relationships for the benefit of the company.* In this context relationship development takes place on two distinct levels: inter-organizational and inter-personal relationship development. Thus, this study treats *inter-company development capability* and *interpersonal development capability* as two inter-connected but conceptually distinct sub-components of RDC. Furthermore, the extant literature puts emphasis on the ‘dark side’ of relationship development, discussing such issues as partner opportunism (eg. Das and Rahman 2010), inter-organizational conflict (Duarte and Davies 2003), and negative effects of deep business relationships (Mitręga and Zolkiewski 2012, in press). Therefore, a further sub-component of RDC relates to *conflict management*.

RDC on *inter-company level* refers to all firm-level activities to increase mutual understanding, coordination, and adapation, such as resource as well competence adjustments between cooperating companies (Blomqvist and Levy 2006). For example, Johnsen et al. (2000) studies such activities in the context of supply networks and distinguish the following activities: information sharing, communication between partners, joint decision making, risk and benefit sharing, as well as knowledge sharing. Walter et al. (2006) similarly include coordination into their conceptualization of network capability.

Personal ties related to business relationships complement inter-organizational ties. Interpersonal relationships are the lifeblood of every business relationship (Gulati, Nohria., and Zaheer 2000; Ma, Yao, and Xi 2009). Hutt et al. (2000, p. 51) state that “*many alliances fail to meet expectations because little attention is given to nurturing the close working relationships and interpersonal connections that unite the partnering organizations*”. Ma et al. (2009) suggest companies should keep a balance between networking efforts on inter-company and interpersonal level. Contrary to the study by Ma et al. (2009), and following Hutt et al. (2000), this study focuses not only on CEO’s ties but on all personal working relationships between various representatives of business partners in a relationship.

Having deep relationships with customers or suppliers can be a burden (Håkansson and Snehota 1998). The benefits of deepening a relationships can actually be negative, for example closer cooperation can be problematic because it increases the likelihood of conflict (Vilgon and Hertz 2003; Walter et al. 2006) Thus, handling relationship problems and especially *managing relationship conflict* is an important component of RDC. In exchange relationships conflict may be related to many incidents: customer or supplier complaints, breaking of contractual terms, replacing company’s representatives. Homburg and Fürst (2005) show that complaint handling positively affects perceived justice, satisfaction and loyalty in business relationships. This present study treats managing relationship conflict as a sub-component of RDC. Conflicts refer to ‘moments of truth’ in exchange relationship (Gronroos 1990), hence their handling demands extra efforts and specific capabilities on the side of the focal company.

Relationship Termination Capability (RTC)

Relationship termination represents an emerging stream of research (eg. Tähtinen and Halinen-Kaila 2000; Tahtinen and Halinen 2002; Tidström and Ĺhman 2006). Prior studies introduce terminating relationships with business partners as an important managerial task (Giller and Matear 2001; Reinartz et al. 2004; Ellis 2006; Mittal, Sarkees, and Murshed 2008). However, Ritter and Geersbro (2010, p. 4) notice that "*…the literature is still short of an understanding of relationship termination as a managerial issue*". This present study defines relationship termination capability as the *set of activities and organizational routines which are implemented at the organizational level of the focal company aimed at terminating undesired business relationships.*

Giller and Matear (2001) found strong support for their proposition that the more experience a company has regarding relationship termination, the better the termination will be handled and therefore the more favorably the termination process will be perceived. Reinartz et al. (2004) illustrate how company's activities oriented towards ending customer relationships affects company performance. Similarly, Ritter and Geersbro (2011) show that the ability to terminate certain customer relationships increases the overall value of the relationship portfolio (Ritter and Geersbro 2011). Havila and Medlin (2012, in Press) back these result; they research terminations capability with multiple types of business partners (including employees of the focal company). However, their results are specific to the automotive industry.

This study proposes RTC as comprising two sub-component, relevant to customer as well as supplier relationships. In line with Reinartz et al. (2004) RTC comprises the *company's capability to select unfavorable business relationships*, and the *company's capability to discontinue relationships with unfavorable partner*s. These two constructs complement each other, for example, a given company may have some routines implemented at the firm level enabling the termination of supply relationships, but this company may not have the necessary routines in place to sense and analyze early which supply or customer relationships begin to deteriorate, and should be ended. Ritter and Geersbro (2011, p. 989) conclude: "*This leads to a situation in which either relationships cannot be terminated or valuable relationships are terminated, and increases the likelihood of unwanted customers in the portfolio*".

NETWORKING CAPABILITY MEASUREMENT MODEL

In order to operationalize and test our NC concept, and to develop and test a measurement model for it, this study is using qualitative and quantitative research designs and juxtaposes the results with the extant literature.

Methodology and Research Design

The literature review shows that the relationship and networking capability-related concepts defined and used by previous authors are not universal; instead, they are either derived for relationships with specific business partners, aimed only at specific stages in business relationships, or relate to actvities of specific departments within the company (Ritter and Geersbro, 2011). Furthermore, previous scales covering simiar concepts to NC include behavioural routines, procedures or patterns, as well as attitudes and cognitions by managers towards those routines e.g., (eg. Walter et al, 2006). Furthermore, no attempt to integrate the existing scales into a holistic measurement model within the confines of an overall NC concept exists, resulting in a variety of scale items being used (see for example the difference in items used for relationship initiation activities in the work by Ritter et al., 2002, or by Reinartz et al., 2004).

Therefore, before quantitative operationalizations of the NC concept can be attempted, an initial qualitative stage is needed to corroborate the robustness of the developed conceptualization, as well as providing an initial list of scale items relate to different components and subcomponents of NC. The development of an integrated measurement model of NC is therefore based on a multi-stage research design that includes quantitative and qualitative research (see figure 2) (Churchill, 1979). This combination of different methodologies is line with previous research on scale development, such as those by Lages et al., 2005, or Zaefarian et al., 2011.

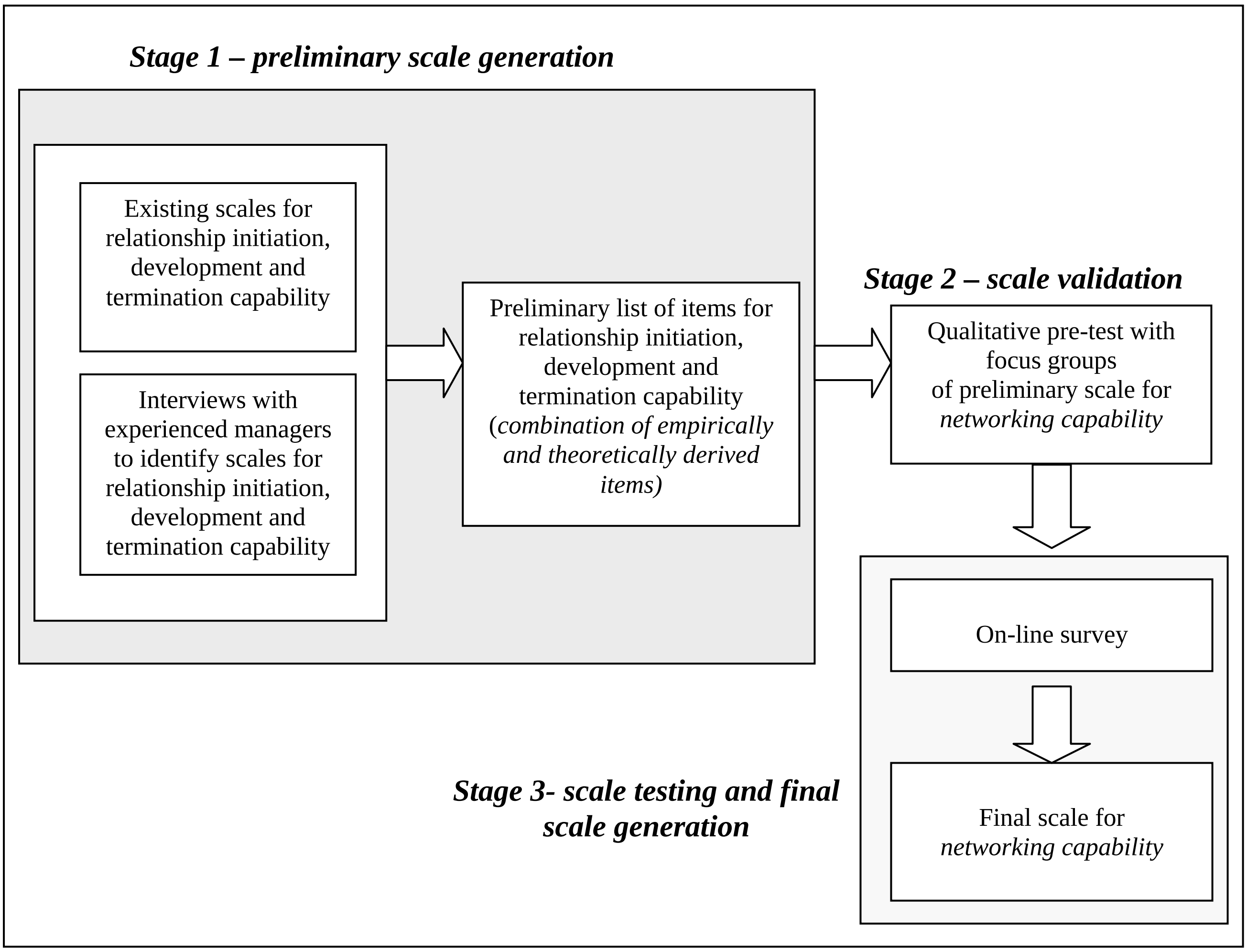

Figure 2: Multi-stage research design

Preliminary Scale Generation (Stage 1)

In this stage the intial conceptualization of NC is tested in a qualitative design, and a preliminary and comprehensive, yet parsimonious pool of scale items are derived which are then compared to already existing scales for relationship initiation, development, and termination activities, particularly items used by Reinartz et al., 2004, and Ritter et al., 2002, for relationship initiation capability; by Walter et al., 2006, for relationship development capabilitiy; and by Ritter and Geersbro, 2010, and Reinartz et al., 2004 for scales on relationship termination capability.

We used an exploratory qualitative methodology (Lincoln, 1991) in order to help us to "*uncover and understand what lies behind [a] phenomenon about which little is known*" (Strauss and Corbin, 1990, p. 19). Interviews were identified as an appropriate method to derive new items and test our overall NC conceptualizaton (Silverman, 2005; Holstein and Gubrium, 1995). All interview respondents were full-time MBA students at a leading UK university. Ten respondents were selected using a purposive method (Denzin and Lincoln, 2000; Stake, 2000). They all were between 9 and 23 years of working experience, worked in senior management, as well as a diverse business background (see table 1). Specifically selecting experienced respondents capable of understanding the concept being measured is in line with Churchill's (1979) guidelines for scale development. Our sample allowed reaching theoretical saturation (Strauss and Corbin, 1990), i.e. no new aspect were uncorvered in the last set of interviews.

We used semi-structured in-depth interviews (see Appendix 1 for our interview guide) (Punch, 2005), covering all key areas of our NC conceptualization while being flexible enough to include any further aspects the interviewee might. Interviewees were asked to identify their company's key business partners about whom they believed they were more experienced and knowledgeable. The main body of the interview consisted of a set of questions to identify potential firm activities for relationship initiation, development, and termination. A final set of questions aimed at assessing each interviewee's level of perceived knowledgeability about the topics covered, and the level of importance they attribute to each of the identified activities.

Interviewees	Working experience	Last company respondent worked for				Previous Appointments
		Years	Position	Sector	Country	
Interviewee 1	10	2	Business head	IT (learning technologies)	Malaysia	Account manager, entrepreneur.
Interviewee 2	9	5	Sales and marketing leader	Science and technology	Argentina	Sales and marketing representative, production planning and control, engineering assistant.
Interviewee 3	10	2	Manager, strategy and operations	Consulting	Kazakhstan	Investment project manager, senior manager, manager.
Interviewee 4	23	6	Buyer	E-selling (shop direct)	UK	E-commerce trading manager, brand category developer, product category manager, product marketing manager, store manager, financial adviser.
Interviewee 5	9	2	General manager	Insurance	Colombia	Insurance product manager, project and market manager.
Interviewee 6	9	2	Business manager-real estate and facilities	IT(Microsoft)	Peru	Business co-ordinator, international sales project co-ordinator, international services product manager junior, international rotation project, international services analyst.
Interviewee 7	12	1	Brand manager	Wine service provider	China	Associate brand manager, managing director.
Interviewee 8	13	3	Project manager officer	Energy	Brazil	Project manager, senior financial analyst, business analyst, consultant.
Interviewee 9	12	2	Sales manager	Food industry	India	Area sales manager
Interviewee 10	17	4	Senior key account manager	Manufacturing (giftware)	USA	Senior product manager, national account manager, general manager new business development, independent sales representative, department manager/buyer.

Table 1: Interviewee profile (Stage 1)

Interviews were independently content analysed by two researchers (Kripendorff, 2004; Richie and Lewis, 2003) to identify groups of activities associated with initiation, development and termination of business relationship. Content analysis "*provides new insights, increases a researcher's understanding of a particular phenomenon, and informs practical action*" (Kripendorff, 2004, p. 18). A reliability check was carried out with an internal replication test (Krippendorff, 2004): the two coders exchanged a sample of two interviews and provided an alternative and independent coding. No substantial differences between the initial coding and the alternative coding existed, thereby indicating reliability of the analysis (Kaplan and Goldsen, 1965). After all interviews were coded, and all relationship related activities identified, the two researchers worked together on a final list of items, as well as a conceptualisation of NC overall. Table 2 shows that the main components of NC resemble those which had been theoretically posited based on a review of the extant literature. For each of the three NC components, different subcomponents were identifed, as well as a long-list of items.

Components	Sub-components	Number of identified items
A. Relationship initiating capability	1. *Identifying potential business partners*	22 items
	2. *Negotiating/Interacting with potential business partners*	13 items
	3. *Assessing potential business partners*	9 items
	4. *Selecting potential business partners*	4 items
B. Relationship developing capability	1. *Assessing existing business partners/relationships*	7 items
	2. *Locking-in existing business partners*	4 items
	3. *Interacting with existing business partners*	6 items
	4. *Managing existing business partners*	16 items
	5. *Negotiating with existing business partners*	2 items
	6. *Conflict Management with existing business partners*	9 items
	7. *Inter-personal relationships with existing business partners*	9 items
C. Relationship terminating capability	1. *Negotiating with business partners that are no longer to be*	*4 items*
	2. *Managing the termination process*	*14 items*
	3. *Relationship Recovery*	9 items

Table 2: Stage 1 empirically identified constructs and NC items

In a second step of stage 1, the empirically derived NC scales and sub-components were juxtaposed and integrated with the existing measurement models previously identified in the literature. Four researchers began by selecting from existing scales those items that reflected patterns of behaviour or routines for different relationship stage (i.e. scales relating to cognitions and attitudes were de-selected, in line with the DCV grounding). Repetitions and overlapping items were also de-selected. The researchers then contrasted and integrated these items and those empirically; items that better captured the concept of NC and the three main components were chosen. Furthermore, at this stage the identified sub-components were also integrated with the theoretically posited subcomponents of NC; it was found that those sub-components derived from existing literature encapsulated in a colletively exhaustive way the empirically derived subcomponents. Attention was given to the clearness of meaning and unambiguousness of each item, and to the coherene of subcomponents vis-a-vis the final item list (Lages et al., 2005; Matsuno et al., 2000). The considerable overlapping between empirically derived and already existing items provides suggest initial validity of the results (Ritchie and Lewis, 2003). The final stage 1 measurement model of NC included therefore three components, seven subcomponents, and forty items (see table 3).

Component	Sub-Component	Number of identified items
A. Relationship initiating capability (RIC)	*1. Selecting valuable companies as new business partners*	10 items
	2. Attracting these companies	5 items
B. Relationship developing capability (RDC)	*1. Inter-company development capability*	7 items
	2. Interpersonal development capability	5 items
	3. Conflict management capability	5items
C. Relationship terminating capability (RTC)	*1. Capability to select unfavorable business relationships*	*4 items*
	2. Capability to discontinue relationships with unfavorable partners	*4 items*

Table 3 – Integrated list of items for relationship related activities

Qualitative Scale Validation (Stage 2*)*

Qualitative research was again used to assess the content and face validity of the integrated list of NC items. A (tailored) focus group technique was adopted for this purpose (Morgan, 1997). Such focus groups are particularly useful for establishing open communication between participants, as well as for providing an opportunity for the involved researchers to listen and learn from participants (Morgan, 1998). Three groups of full-time MBA students at leading UK university were used. Each group had between three and six participants who were asked to access the on-line list (including survey design) of the forty NC items. The focus group was facilitated by an experienced researcher to discuss these items, particularly their relevance and clarity. The aim was to pre-test clarity of wording as well as meaning of the individual items. All within-group discussions were digitally recorded, and three researchers additionally observed the process for each focus group. At the end of each section, each researcher developed a summary report concerning all raised issues and potential problematic areas. After the three focus group discussions took place, the four researchers compared their reports. Only minor changes and adjustments (question wordings; sequencing) to the on-line survey as well as to the overall design were necessary, i.e. all forty items were retained.

Quantitative Scale Test and Validation (Stage 3)

Data Collection and Sample

The developed measurement model for NC was implemented as a web-based questionnaire using Qualtrix. After a pre-test regarding the stability of the web-based process using twelve randomly selected international managers from a proprietary database, an e-mail introducing the study with the Qualtrix link was sent to 3,500 international executive MBA students of a major university in the UK. The survey covered managers in a variety of industry sectors. A total of 796 responses were received, resulting in an initial response rate of 22.7%. A first filter question ascertained whether the respondent was more knowledgeable with respect to their firm's supply chain partners or their business customers/distribution partners. Accordingly, all further questions referred only to business relationships with partners about whom the respondents were familiar (i.e. either customers or supplier). Thus, the quantitative survey was designed to capture both networking capabilities with respect to supplier and to business customer relationships with the goal to establish a universal measure of a firms' NC independent of the specific business partner type, in line with our NC conceptualization. Out of the 796 useful responses received, 254 (31.9%) represent supplier relationships, and 542 (68.1%) business customer relationships.

We controlled for respondents who indicated that the majority of their firm's turnover is generated by exchange with end-consumers compared to business customers (e.g., other companies, distributors, or organizations of various types); such respondents were removed from the analysis. Furthermore, a seven-point bi-polar scale ranging from poor (1) to excellent (7) assessed the knowledgeability of the respondents with respect to relevant constructs, such as their firm's performance (i.e., market share, growth, profitability, and overall performance), and their firm's business relationships with supply chain partners or business customers respectively. Responses which indicated less than average knowledge (i.e. below the mid-point of 4 on a 7-point Likert scalse) in any of these constructs were removed from further analyses, thereby arriving at a final sample size of 597, out of which 214 (35.8%) represent relationships with supply chain partners and 383 (64.2%) relationships with business customers or distribution partners. Table 4 shows the characteristics of the final sample. In summary, 31.9% of the firms have between 51 and 750 employees, 28.8% between 751 and 5,000 and 28.3% more than 5,000 employees. 53.8% of the firms in the sample are service firms, 38.5% manufacturing firms, and 7.7% reselling companies. With respect to the individual respondents, 86.6% of them have more than 2 years of work experience within their company, and 69% have been in their current job positions for more than 2 years. 93.5% of the respondents are top level directors or middle-level managers.

TABLE 4
Firm and Respondent Characteristics

	Count	Percent
Firm Characteristics		
Number of employees		
10 or less	15	2.5
11-25	23	3.9
26-50	29	4.9
51-250	107	17.9
251-750	82	13.7
751-5000	172	28.8
5001 or above	169	28.3
Company Age		
0 - <2	10	1.7
2 - <5	30	5.0
5 - <10	95	15.9
10 - <20	156	26.1
20 - <50	198	33.2
50 or more	108	18.1
Business Type		
Service Company	321	53.8
Manufacturing Company	230	38.5
Reselling Company	46	7.7
Respondent Characteristics		
Years with the company		
0 - <2	80	13.4
2 - <5	190	31.8
5 - <10	228	38.2
10 - <20	86	14.4
20 or more	13	2.2
Position within the company		
CEO	6	1.0
Owner or Co-owner	14	2.3
Managing Director	19	3.2
Other top-level Director	86	14.4
Middle-level manager	472	79.1
Years of employment in current position		
0 -<1	185	31.0
2 - <5	302	50.6
5 - <10	93	15.6
10 or more	17	2.8

A two-step process was followed to assess non-response bias. First, early versus late respondents were compared across both firm and respondent characteristics (Armstrong and Overton 1977). Early respondents represent the first 25%, and late respondents the last 25% of incoming survey answers. The chi-square test does not reveal any significant difference between the two sub samples. Secondly, a short survey comprising only firm and respondent characteristics was sent to all nonrepondents of the original survey. The result of this survey allows comparing characteristics of respondents with actual nonrespondents. 304 responses were received from nonrespondents of the initial survey. While the chi-square test does not reveal any significant differences between respondents and nonrespondents across firm characteristics and the position of the respondent within the firm, the non-respondents are significantly different to the respondents based on how long they have been with their firm, and for how long they are in their current position. In summary, the non-respondents have been significantly less long with their current firm, as well as in their current position, therefore indicating less likelihood of relevant knowledge regarding the constructs of our study. From this perspective these differences are acceptable if not even desirable as they suggest that respondents work in similar companies to non-respondents but have more experience within their firm and in their current position, and thus are more competent in answering the survey questions.

Initial Purification Analysis

To validate the NC measurement models, especially their generalizability across different business partner types, the sample was split into two subsamples: responses capturing supplier relationships (N=214), and business customer relationships (N=383). Next, an exploratory factor analysis (EFA) was performed on each subsample for each of the three components of networking capability (RIC, RDC, and RTC) to assess the properties of the initial measures (41 items in total). Based on the factor analysis, items with low factor loadings and high cross loadings were removed, resulting in a total set of 25 items. Tables 5, 6 and 7 show the final VARIMAX solutions of the measures by NC components.

TABLE 5
Exploratory Factor Analysis: Initiation

	Combined (*n*=597), VE=62.54		Business Customer Relationships (*n*=383), VE=59.79		Supplier Relationships (*n*=214), VE=64.68	
Variables	**Selection** α=.860	**Attraction** α=.769	**Selection** α=.857	**Attraction** α=.709	**Selection** α=.866	**Attraction** α=.785
Selection						
1. Identifying which BP are attractive	.803		.805		.777	
2. Rank order and short-list PB based on potential benefits	.811		.797		.839	
3. Formal list of preferred features of BP	.835		.805		.867	
4. Gather and review publically available information to identify potential BP	.718		.719		.744	
5. Formally evaluate resources and capabilities of potential BP	.758		.786		.703	
Attraction						
6. Communicate our firm's relational success with BP		.750		.727		.756
7. Build image of a reliable partner		.759		.746		.735
8. Inform BP about our firm's offering		.770		.738		.742
9. Use recommendations from existing Suppliers to attract new ones		.741		.661		.793

*BP: Business Partner = Supply Chain Partners or Business Customers respectively

TABLE 6
Exploratory Factor Analysis: Development

Variables	Combined (*n*=597), VE=74.98			Business Customer Relationships (*n*=383), VE=74.08			Supplier Relationships (*n*=214), VE=64.38	
	Inter-comp. α=.797	**Inter-person.** α=.870	**Conflict Mgmt.** α=.796	**Inter-comp.** α=.747	**Inter-person.** α=.867	**Conflict Mgmt.** α=.844	**Inter-comp.** α=.811	**Inter-person.** α=.850
Management								
1. Provide our BP valuable information to help them better serve their customers	.794			.756			.775	
2. Work closely with BP when developing offerings	.845			.809			.779	
3. Communicate with BP regarding mutual expectations	.805			.804			.839	
Social								
4. Organize social events		.748			.710			.764
5. Motivate employees to create close social ties with BP		.890			.901			.859
6. Socialize at networking events		.870			.869			.850
7. Establish relationships with multiple stakeholders (across functional areas)		.821			.836			.793
Conflict Management								
8. Formalized procedure on how to deal with conflict with BP			.905			.921	.719	
9. Train employees on how to handle conflict with BP			.844			.869	.636	

*BP: Business Partner = Supply Chain Partners or Business Customers respectively

TABLE 7
Exploratory Factor Analysis: Ending

Variables	Combined (*n*=597), VE=56.78	Business Customer Relationships (*n*=383), VE=56.95	Supplier Relationships (*n*=214), VE=56.81
	Ending α=.872	**Ending** α=.873	**Ending** α=.871
Ending			
1. Identify BP where key performance indicators are not met	.832	.826	.846
2. Assess profit and cost associated with BP relationships	.792	.777	.822
3. Rank order BPs according to their performance in the relationship	.764	.752	.787
4. Analyze direct and indirect cost in ending the relationship with a BP	.777	.779	.773
5. Formalization of termination condition within the contracts with BP	.678	.678	.678
6. Make sure BP understands reason for termination	.707	.718	.686
7. Slowly discontinue/phase out BP relationships	.713	.743	.662

*BP: Business Partner = Supply Chain Partners or Business Customers respectively

With respect to the combined sample of supplier and business customer relationships, all networking capability items for *initiation* and *development* capabilities load on the expected sub-components. This finding was also confirmed for the business customer sub-sample. However, for the supplier sub-sample the items for RDC show interesting structures: the items for the components characterising inter-company development on the one hand, and conflict management on the other load on one common factor instead of two distinct ones, as conceptualized, and as evident for customer relationships. Thus, while firms seem to differentiate between general inter-company relational development on the one hand, and conflict management on the other for their business customer relationships, they do not differentiate with respect to their supplier relationships. This finding is noteworthy, but intuitive as firms see conflict with customers generally very critical, while conflict with suppliers becomes particularly pertinent with increasing dependency of the buyer (Brown, Lusch, and Muehling 1983). Whole departments are often dedicated to customer complaint handling and customer conflict management becomes a highly formalized function within those organization and thus a distinct task from the day-to-day management of customers (Homburg and Fürst, 2005). On the other hand managing conflicts with suppliers, although critical for firms' operations, could be seen to be a task similar to the general management of supplier relationships and thus is most of the time handled by the same department. Despite the costs associated with switching suppliers, firms as long as they have relatively strong positions with respect to their suppliers are less sensitive to conflict. If this dependence structure turns around however, conflict potential becomes more critical. For example Brown, Lusch and Muehling (1983) show that with increasing perceived supplier power channel conflict increases. Thus, further research is necessary to provide conclusive insight into these finding, for example by comparing *development* capabilities across different supplier categories in terms of their importance for firms' operations and competitive position. With respect to *ending* capabilities, the items for all sub-samples load consistently on one common factor and not as expected on the two sub-components proposed: selection and discontinuation of unfavorable business relationships. These findings suggest that firms do not particularly distinguish between these two activities, and that they rather go hand in hand.

Based on the results of the exploratory factory analysis (EFA), a confirmatory factor analysis (CFA) was performed in LISREL 8.80 across the combined sample of supplier and business customer relationships (N=597). The combined sample was chosen as this study aims to develop a measure of NC with respect to relationships with various business partner types. The initial measurement model tested included all 25 items suggested by the EFA. According to table 8 (initial model), while RMSEA (.063), IFI (.97), CFI (.97), and NFI (.96) indicate acceptable fit, GFI (0.89), AGFI (0.87) and a high χ^2 (883.72) suggest that model improvements are necessary. In order to improve the measurement model fit, each of the NC items were analyzed in terms their standardized parameter estimates (λ_x>0.6, t-values > 1.96) and were removed accordingly. The final model (table 8, using 17 items) shows good fit (Hair, Black, Babin, Anderson, and Tatham 2006): RMSEA (0.048), GFI (0.95), AGFI (0.93), NFI (0.97), CFI (0.99), and IFI (0.99). Although χ^2 (245.94, *p*-value<0.01) still indicates a significant difference between the sample and the estimated covariance matrices, compared to the initial model (χ^2=883.72, *p*-value<0.01) the χ^2 value has strongly improved. Given the relatively large sample size of 597 and the fact that χ^2 increases and becomes significant with sample size (Hair et al., 2006), as well as the excellent fit with respect to all other fit measures, it can be concluded that acceptable model fit has been achieved. Table 9 summarizes the factor loadings of the final standardized solution for the measurement model.

TABLE 8
CFA Fit Statistics

	Initial Model	Final Model
RMSEA (<0.08)	.063	.048
GFI (>0.9)	.89	.95
AGFI (>0.9)	.87	.93
NFI (>0.9)	.96	.97
CFI (>0.9)	.97	.99
IFI (>0.9)	.97	.99
χ^2	883.72	245.94
Df	260	104

TABLE 9
Confirmatory Factor Analysis: Standardized Solutions

Variables	Selection	Attraction	Management	Social	Conflict Mgmt.	Ending
Selection						
1. Identifying which BPs are attractive	.78					
2. Formal list of preferred features of BP	.77					
3. Formally evaluate resources and capabilities of potential BP	.72					
Attraction						
4. Communicate our firm's relational success with BP		.70				
5. Build image of a reliable partner		.71				
6. Inform BP about our firm's offering		.70				
Inter-company development						
7. Provide our BP valuable information to help them better serve their customers			.69			
8. Work closely with BP when developing offerings			.74			
9. Communicate with BP regarding mutual expectations			.84			
Inter-personal development						
10. Motivate employees to create close social ties with BP				.86		
11. Socialize at networking events				.83		
12. Establish relationships with multiple stakeholders (across functional areas)				.79		
Conflict Management						
13. Formalized procedure on how to deal with conflict with BP					.81	
14. Train employees on how to handle conflict with BP					.82	
Ending						
15. Assess profit and cost associated with BP relationships						.78
16. Rank order BP according to their performance in the relationship						.79
17. Analyze direct and indirect cost in ending the relationship with a BP						.75

*BP: Business Partner = Supply Chain Partners or Business Customers respectively

Construct Validity

According to Hair et al. (2006, p. 776), "*construct validity is the extent to which a set of measured items actually reflects the theoretical latent construct those items are designed to measure*." As part of the construct validity check, analyses of convergent, discriminant and nomological validity were performed. Face validity was already established through the qualitative construct development process (stages 1 and 2).

4.4.3.1 Convergent Validity: Convergent validity is analyzed to determine whether the "*indicators of a specific construct should converge or share a high proportion of variance in common*" (Hair et al. 2006, p. 776). Average variance extracted (AVE), scale composite reliability (SCR), and the item factor loadings assess convergent validity, according to the following criteria: AVE >0.5, factor loadings >0.6, and SCR >0.6. According to Table 9, the item factor loadings are consistently above 0.6 and significant ($p<0.01$), therefore suggesting convergent validity. Table 10 shows that with the exception of attraction, which has a marginal AVE of .49, both the AVE and the SCR values are equal or above 0.5 and 0.6 respectively, which further supports convergent validity.

TABLE 10
AVE, SCR and Correlations

Construct	AVE	SCR	1	2	3	4	5	6
1 Selection	.57	.80	1					
2 Attraction	.49	.74	.51	1				
3 Inter-company	.57	.80	.52	.58	1			
4 Interpersonal	.69	.87	.17	.5	.36	1		
5 Conflict Management	.66	.80	.67	.43	.55	.33	1	
6 Ending	.60	.82	.69	.51	.54	.3	.76	1

AVE = average variance extracted; SCR = scale composite reliability; coefficient α along the diagonal

Discriminant Validity. According to Hair et al. (2006, p. 778), "*discriminate validity is the extent to which a construct is truly distinct form other constructs*." Three methods are suggested by the literature to assess discriminant validity. According to method 1, two constructs are unique if the 95% confidence interval (±two standard errors) around their correlation estimates does not include 1 (Anderson and Gerbing 1988). As Table 11 shows, this condition is met for all correlations.

TABLE 11
95%-CI of Correlation Estimate

Construct	1	2	3	4	5	6
1 Selection	1					
2 Attraction	0.51	1				
95%-CI	*.43-.59*					
3 Inter-company	.52	.58	1			
95%-CI	*.44-.6*	*.5-.66*				
4 Interpersonal	.17	.5	.36	1		
95%-CI	*.07-.27*	*.42-.58*	*.28-.44*			
5 Conflict Management	.67	.43	.55	.33	1	
95%-CI	*.61-.73*	*.33-.53*	*.47-.63*	*.25-.41*		
6 Ending	.69	.51	.54	.3	.76	1
95%-CI	*.63-.75*	*.43-.59*	*.46-.62*	*.2-.4*	*.7-.82*	

*CI=Confidence Interval

Method 2 requires that the individual AVE of each construct is higher than the squared correlation between the two constructs (Fornell and Larcker 1981). According to Table 12, this condition is also met.

TABLE 12
Squared Correlation and AVE

		AVE					
Correlation	**Squared Correlation**	**Selection**	**Attraction**	**Inter-company**	**Inter-personal**	**Conflict Mgmt.**	**Ending**
0.51	0.26	.57	.49				
0.52	0.27	.57		.57			
0.17	0.03	.57			.69		
0.67	0.45	.57				.66	
0.69	0.48	.57					.6
0.58	0.34		.49	.57			
0.5	0.25		.49		.69		
0.43	0.18		.49			.66	
0.51	0.26		.49				.6
0.36	0.13			.57	.69		
0.55	0.30			.57		.66	
0.54	0.29			.57			.6
0.33	0.11				.69	.66	
0.3	0.09				.69		.6
0.76	0.58					.66	.6

AVE = average variance extracted

Finally, according to the third method, two constructs are distinct from each other if the χ^2 statistic is significantly lower when the correlation between the two constructs is free compared to when the correlation between the two constructs is fixed to 1 (Anderson and Gerbing 1988). As table 13 shows, compared to the constrained models the unconstrained ones show significantly better model fit in terms of χ^2.

TABLE 13
χ^2 – Difference

Construct	**1**	**2**	**3**	**4**	**5**
			χ^2		
1 Selection					
2 Attraction					
Constrained	*322.8*				
Unconstrained	*15.7*				
Difference ($\Delta\chi^2$)	307.1				
3 Inter-company					
Constrained	*475.6*	*263*			
Unconstrained	*23.8*	*12.6*			
Difference ($\Delta\chi^2$)	451.8	250.4			
4 Inter-personal					
Constrained	*579.3*	*325.3*	*520.9*		
Unconstrained	*13.3*	*30.6*	*7.0*		
Difference ($\Delta\chi^2$)	566	294.7	513.9		
5 Conflict Management					
Constrained	*172.8*	*251.2*	*222.1*	*269.4*	
Unconstrained	*6.9*	*7.3*	*12.5*	*8.5*	
Difference ($\Delta\chi^2$)	165.9	243.9	209.6	260.9	
6 Ending					
Constrained	*283.7*	*313.8*	*464.4*	*613.5*	*126.3*
Unconstrained	*44.8*	9.3	*21*	*12.8*	*10.1*
Difference ($\Delta\chi^2$)	238.9	304.5	443.4	600.7	116.2

Based on all three methods it can be concluded that the three component measurement models are truly distinct from each other.

Nomological Validity. As highlighted earlier, we expect the three components of NC to positively affect firm performance. The performance of a company was measured in relation to its competitors using four items adapted from Reinartz et al. (2004), capturing overall performance, market share, growth and profitability. Items measure on a seven-point scale ranging from *much worse* to *much better* relative to the firm's competitors. As discussed earlier, knowledgeability of the respondents was checked for each of the performance dimensions to ensure adequate competence of respondents.

For the analysis combined measures of *initiation*, *development*, and *termination capabilities* (RIC, RDC, and RTC) were computed as the mean of the respective component items. A regression analysis of the three NC components was performed on the three alternative performance constructs: 1) overall performance (single item), 2) performance as a composite variable of overall performance, market share, growth, and profitability, and 3) performance as a composite variable of market share, growth, and profitability (MGP). As tables 14, 15, and 16 indicate the NC components significantly impact all three performance variables. The size of the R^2 suggests future studies to test for variables that significantly mediate the relationship between NC and firm performance.

TABLE 14
Multiple Regression (Step-wise) – NC and Overall performance (single item)

	β	***t*-value**	**R^2**	**ΔR^2**
Model 1			.087	.087**
Initiation	.295**	7.52		
Model2			.107	.020**
Initiation	.190**	3.97		
Development	.177**	3.69		
Model 3			.110	.007**
Initiation	.148**	2.861		
Developent	.142**	2.825		
Ending	.109**	2.181		

**α<0.05

TABLE 15
Multiple Regression (Step-wise) – NC and Performance

	β	***t*-value**	**R^2**	**ΔR^2**
Model 1			.112	.112**
Initiation	.335**	8.67		
Model2			.136	.024**
Initiation	.226**	4.82		
Ending	.188**	4.03		
Model 3			.147	.011**
Initiation	.170**	3.36		
Ending	.146**	2.97		
Development	.137**	2.77		

**α<0.05

TABLE 16
Multiple Regression (Step-wise) – MGP

	β	***t*-value**	**R^2**	**ΔR^2**
Model 1			.110	.110**
Initiation	.332**	8.58		
Model2			.134	.024**
Initiation	.221**	4.73		
Ending	.191**	4.08		
Model 3			1.44	.010*
Initiation	.169**	3.34		
Ending	.151**	3.07		
Development	.128**	2.58		

**α<0.05

DISCUSSION AND FURTHER RESEARCH

This research developed and tested an empirical measurement model for networking capabilities using a behavioral perspective informed by dynamic capability perspective and the relational view of the firm. The measurement model was tested across different industries and vis-à-vis customer as well as supplier business relationships in an international empricial setting. We used qualitative stages as part of the research design to develop a long-list of items and construct components which were juxtaposed with existing conceptualisations and measurement models in the literature. The resulting preliminary list of items was further tested in a second qualitative stage to generate a short-list of items for each of the identified three components (i.e. relationship initiation, development, and termination) and their sub-components. Finally, the study tested the items quantitatively, purified them, and provides therefore a parsimonious NC scale as a measurement model comprising 17 items which can be applied to the main business interaction partners of a firm, i.e. customers and suppliers. Regression analyses show that the three components of NC all positively affect performance-related variables. However, this analysis also indicates that there are likely to be other constructs, specifically mediators, which influence the relationship between NC and performance. Therefore, future research needs to use an integrated structural model that covers the direct effect of NC on different performance variables, but also incorporates the indirect effect via pertinent relational constructs.

This research therefore contributes to the existing literature on managing in business relationships by providing a capability model which is derived consistently from a behavioral perspective, and by taking relational dynamics (in terms of different phases) into account. Furthermore, the NC concept and measurement model is applicable not only to specific exchange partners, but to customers and suppliers alike, thereby providing a more fitting empirical tool for studies on relationship dynamics, and demand chain integration (Juttner et al. 2007). We therefore fill an existing gap in the literature on business relationships. Furthermore, purification using an international and cross-industry sample provides initial support for the generalizability of our concept and measurement model; however, further research needs to corroborate this.

The quantitative purification test provides further noteworthy results, for example relating to the RDC component: While firms seem to differentiate for their business customer relationships between general inter-company relational development on the one hand, and conflict management on the other, they do not differentiate these two aspects with respect to their supplier relationships. This finding is important, but intuitive as firms see conflict with customers generally very critical, while conflict with suppliers becomes particularly pertinent with increasing dependency of the buyer (Brown, Lusch, and Muehling 1983). Whole departments are often dedicated to customer complaint handling and customer conflict management becomes a highly formalized function within those organization and thus a distinct task from the day-to-day management of business customers (Homburg and Fürst, 2005). On the other hand, managing conflicts with suppliers, although critical for firms' operations, could be seen to be a task similar to the operational management of supplier relationships, that is part of supply chain management, and thus is most of the time handled by the same department or supply/purchasing manager (Plank, Newell, and Reid, 2006; Foster, Wallin, and Ogden, 2011). Despite the costs associated with switching suppliers, firms are less sensitive to conflict as long as they have relatively strong positions with respect to their suppliers. If this dependence structure weakens, however, conflict potential becomes more critical. For example, Brown, Lusch and Muehling (1983) show that with increasing perceived supplier power channel conflict increases. Thus, further research is necessary to provide conclusive insight into these findings, for example by comparing development capabilities across different supplier categories in terms of their importance for firms' operations and competitive position.

Ending capabilities (i.e. RTC) consistently exhibits characteristics of a single component, independently of whether factor analyses test it for suppliers or customers. While the literature suggests different aspects of a relationship termination capability, particularly a distinction between selecting unfavourable business relationships on the one hand, and termination activities to end such relationships on the other hand, the empirical analysis cannot corrobate such a distinction. A single underlying factor embraces all different items, including those items for relationship selection and relationship termination activities. However, in the final purified measurement model items relating to activities by the firm to select unfavourable business relationships show the highest consistency and therefore make up the scale component of RTC. A hypothesis for this would be that such undesirable business relationships do not need to be be ‘managed out’ actively but just fade away (Gronhaug, Henjesand, and Koveland 1999; Tidström and Ahman 2006), thus, the termination is not managed through systematic and predefined processes. Achieving a “*beautiful exit*” (Alajoutsijarvi, Moller, and Tahtinen 2000, p. 1270) through a well chosen relationship exist strategy may be rare. Further research into the interdependence of, and dynamics between, selecting and then ending business relationships need to understand this issue in more detail.

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Appendix 1 – Interview Guide

Intro

Think about the context of the last company that you worked at before you initiated your full time MBA. However, you can also tell us about experiences that you had in previous appointments, as long as you indicate that that is the case.

Objective data:

1. In which industry or sector were you working?
2. How many employees did your last employer have (approximately; worldwide)? And what was its annual turnover?
3. What was your last job title?
4. In which country were you working at (i.e. your main office location)?
5. How many years (approximately) of managerial experience do you have in total? And in the last company where you worked at?

Think about all the different relationships your company may have (i.e. with companies offering complementary products or similar products, which partner with you in given projects/situations; suppliers, customers, etc.) when answering to the next questions.

Overall questions

6. What was the nature of the business partners or other entities which allow your company to increase or improve its capabilities/know-how or to improve its overall market situation? (Select two types of partners that were most important to increase knowhow, productivity, etc. Please don't restrict your answers to one specific relationship with given partner or to only not problematic relationships We are interested in how your organizations manages relationships of various types of relationships in general).

(Some of the following questions will refer to the partner type …… which you mentioned and then we will speak about these same things with regard to the second partner type…. you indicated.)

Processes and Activities to initiate a relationship

7. Can you recall what the activities were that your company engaged in to initiate a business relationship with a partner?
8. What do you think are the main purposes of the activities you mentioned, what is your company trying to achieve with these activities? (Main Purposes/Motivation)
9. How were those activities put into place (people, processes..)?

Processes and Activities to develop or maintain a relationship

10. Can you recall what the activities were that your company engaged in to develop or maintain a business relationship with a partner?
11. What do you think are the main purposes/motivations of/for the activities you mentioned? What is your company trying to achieve with these activities? (Main Purposes/Motivation)
12. How were those activities put into place (people, processes, ...)?

Now, a lot of studies (case studies) suggest that business relationships are dynamic (changeable) and most of them come to the end (due to various reasons, eg. new partners possible, conflicts, end of the need to be fulfilled). It also seems that some companies try to prepare themselves for the end of relationships which cannot or should not be continued.

Processes and Activities to terminate a relationship

13. Can you recall what the activities were that your company engaged in to terminate a business relationship with a partner?
14. What do you think are the main purposes/motivations of/for the activities you mentioned? What is your company trying to achieve with these activities? (Main Purposes/Motivation)

15. How were those activities put into place (people, processes..)?

General Questions

16. Considering all the activities, discussed so far, which ones did you find most important in relation to your most meaningful business partners?
17. Did you experience any cultural differences which influence the just discussed partnering activities? If yes, how did it influence the partnering process?
18. What is it that you achieve by having initiating/developing/terminating relationships with specific business partners?
19. In a 1-7 scale, how would you classify your knowledge on the matters that were discussed during this interview?

APENDIX 2

Networking Capabilities

All items were measured on a seven-point Likert scale, ranging from 1 = “completely disagree” to 7 = “completely agree”.

Initiation Capabilities

Selection

- Our company has a formal system for identifying which of the potential [Distribution partners or business customers/Supply chain partners] are attractive to us.
- We develop a formal list of preferred features of potential [Distribution partners or business customers/Supply chain partners].
- We formally evaluate the resources and capabilities of potential [Distribution partners or business customers/Supply chain partners].

Attraction

- We communicate our firm’s relational success with business partners widely.
- We routinely build the image of our company as a “reliable business partner”.
- We routinely inform potential [Distribution partners or business customers/Supply chain partners] about our company’s offering.

Development Capabilities

Management

- We provide our [Distribution partners or business customers/Supply chain partners] with valuable information that can help them better serve their customers.
- We work closely with our [Distribution partners or business customers/Supply chain partners] when developing our offerings.
- We continuously communicate with our [Distribution partners or business customers/Supply chain partners] regarding mutual expectations.

Social

- Our company regularly organizes social events involving representatives from our [Distribution partners or business customers/Supply chain partners].
- Our company motivates its employees to create close social ties with representatives from its [Distribution partners or business customers/Supply chain partners].
- Our company motivates its employees to socialize with representatives from its [Distribution partners or business customers/Supply chain partners] at networking events (e.g. trade shows, professional training conferences).

Conflict Management

- Our company has established a formalized set of procedures to deal with conflict between us and our [Distribution partners or business customers/Supply chain partners].
- Our company has developed routines to train employees how to handle conflict with our [Distribution partners or business customers/Supply chain partners].

Ending Capabilities

- Our company has a formal system in place to assess the profit and cost associated with existing [Distribution partner or business customer/Supply chain partner] relationships.
- We systematically rank our [Distribution partners or business customers/Supply chain partners] according to their performance in the business relationship with us.
- We analyze the direct and indirect costs involved in ending a business relationship with our [Distribution partners or business customers/Supply chain partners] (e.g. searching for new [Distribution partners or business customers/Supply chain partners], new investments, penalties, etc.)

Performance (*Adapted from Reinartz et al. 2004)*

All items were measured on a seven-point Likert scale, ranging from 1 = “much worse” to 7 = “much better” relative to the firm’s competitors.

- Achieving overall economic performance

- Attaining market share
- Attaining growth
- Current profitability