

The notion of expectations in B2B relationships

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WIP Paper

The aim of this study is to critically analyze existing research on the dynamic features of expectations and trust in business relationships. Our theoretical analysis will therefore pay attention to the specific features that relate to the interaction in cross-border context. The study contributes both in theoretical and managerial aspects, and directs particular attention on the dynamic nature of expectations in business-to-business relationships.

Keywords: interaction dynamics, expectations

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1. Introduction

Joint norms, mutual trust and similar expectations all seem to play an important role in ensuring long-term interaction in business relationships. One may assume that the better the understanding of other party's expectations, the higher the chances for superior interaction outcomes for both partners. One of the main expectations, required to make interaction work, is expectation of continuity (Anderson and Weitz, 1989; Ganesan, 1994). With some exceptions though (Anderson et al, 2009; Juhantila and Virolainen, 2003; Dwyer et al, 1987), existing research literature though does not provide any clear evidence on the role of expectations in business relationships.

The aim of this study is to critically analyze existing research on the dynamic features of expectations and trust in business relationships. Our theoretical analysis will therefore pay attention to the specific features that relate to the interaction in cross-border context. The study contributes both in theoretical and managerial aspects, and directs particular attention on the dynamic nature of expectations in business-to-business relationships.

2. The concept of expectations – a literature review

The construct of expectations is mostly used as an auxiliary construct – it is used to reflect conceptualizations of other constructs. This is the case in analysis of expectations of partners' behavior, based on relational norms (Anderson et al, 2009). The role of relational norms thus is increasingly important to understand the nature of relational expectations. According to Anderson et al (2009), partner's expectations can be divided into initial expectations, developed before the start of relationship and based on internalized norms of the company itself. Later on during relationship development the norms help to align expectations and actions, so that the current expectations are based on relationship specific norms. The authors select particular set of relational norms to be regarded as foundation for expectations development and modification during the relationship process - quality, frequency and scope of communication, role specification and coordination of work, nature of planning horizons, trustworthiness (Anderson et al, 2009).

Closely related to relational norms concept are existing studies, mentioning role expectations by partners (Dwyer et al, 1987; Weitz, 1981). Another aspect of relationship related expectations mentioned in the literature includes time orientation (Wren and Simpson, 1996; Ganesan, 1994), reflecting expected duration of relationship (Mittilä, 2002). Unexpected termination of relationship might contradict expected continuity by another party (Seshardi & Mishra, 2004). The content of interaction is reflected in the work of Anderson et al (1994) on expectations about actors' orientation, activities, competences and resources, which would have direct impact on the way relationship will be developed and what outcomes will be received. Table 1 summarizes the literature on expectations in partner relationships.

Table 1. Summary of theoretical developments on expectations in partner relationships

Key contents and concepts	Authors
Initial expectations - expectations before the relationship started ("prior to engaging in exchange" – based on internalized norms; norms align expectations and actions.	Anderson et al, 2009

Current expectations - What do you expect in process of relationship development (modified through the ongoing exchange) – based on relationship-specific norms are being formed	
Expectations based on time orientation	Wren and Simpson, 1996 Ganesan, 1994 Mittilä, IMP, 2002
Expectations of continuity/termination of relationships	Seshardi and Mishra, 2004
Role expectation: role development, role expectation and the perception of those expectations are vital to understanding buyer-seller interactions.	Dwyer et al, 1987; Weitz, 1981
Expectations about actors orientations, activities competences and resources	Anderson et al, 1994
Complaint management expectations	Henneberg et al, 2009
Expectations and embeddedness in social structures and institutional context	Uzzi, 1997, Salmi, 2004
Relational expectations concern conflicts of interest and the prospects for unity and trouble	Dwyer et al, 1987

Differences in expectations would lead to potential issues at later stages of relationship development. Existing literature discusses these potential issues as divergence (Anderson et al, 2009) or disconfirmation of expectations (Mittilä, 2002). Besides diverging expectations, there are also expectations about how the partner would behave in case when the problems would arise. Thus a recent study of Henneberg et al (2009) have addressed the issue of managing complaint expectations in b2b relationships. Among the drivers of potential differences in expectations might be embeddedness in various social structures and institutional context (Uzzi, 1997; Salmi, 2004), in their turn leading to discrepancies in the norms, regulating behavior of the partners involved in the relationship.

Diverging expectations can damage relationship over time and lead to development of conflicts of interests between the partners (Dwyer et al, 1987), requiring understanding of relationship potential and opportunities for aligning of relational norms and governance structures (Ivens, 2006).

Despite the existing fragmented analysis of the role of expectations and sources of their potential divergence, there is not sufficient research evidence presented on the nature of expectations construct, mechanism of expectations creation and development over time. We pose therefore the following questions for future studies: 1) what are the expectations of both parties, 2) how and why the expectations change (e.g. developing mutual trust affects expectations over time; while critical events may cause more abrupt changes to expectations), 3) how the changing expectations (e.g. converging between the partners) affect the relationship. Furthermore, we suggest that in a cross-border setting the expectations of the partners are affected by their contexts, which represent different cultural and institutional features (Anderson et al. 2009; Salmi, 2004) – therefore, cross-border interaction calls for sensitivity to these background factors as well.

3. Drivers of expectations development

Existing studies, mentioning relationship expectations, consider a number of factors as drivers for expectations development, their potential divergence or alignment. While no single direction of conceptualized drivers of expectations is developed as a mainstream

direction, there is some diversity in potential antecedents in forming and leveraging the level of expectations. Among the most crucial factors are trust (Anderson et al, 2009; Dwyer et al, 1987) and relational norms (Anderson et al, 2009), influencing perception of partner's potential and current behavior. Besides the norms, governing interaction, internal corporate culture and related norms might affect expectation in relationship with external partners as well (Campbell, 1998; Hillebrand & Biemans, 2004). Perception of potential outcomes as desired value has also found reflection in existing research (Flint et al, 1997). Finally, power and interest to continue the relationship might be considered as moderators for expectations and control factors, predicting the level of expectations due to firm's ability to control interaction based on higher power or firm's readiness to expect more because of other potential benefits, featuring given business relationship. Based on analysis of existing literature, two main types of expectations drivers have been selected – experienced partner trustworthiness and subsequent mutual trust (Anderson et al, 2009; Dwyer et al, 1987) as well as relational norms (Anderson et al, 2009; Ivens, 2006). The potential drivers of expectations are presented in Table 2. Next, we shall focus on trust and relational norms in particular.

Table 2. Potential drivers of expectations

Drivers	Authors
Trust	Anderson et al, 2009; Dwyer et al (1987)
Demonstrated capabilities	Juhantila, Virolainen, 2003
Desired value vs. value judgment	Flint et al, 1997
Style of cooperation between internal departments will affect the style/expectation between the firm and partners	Campbell, 1998 Hillebrand & Biemans, 2004
Relational norms	Anderson et al, 2009
Power, interest in continuation of important relationship. This is in line with what has called the available “zones of manoeuvre” (299), i.e. the fact that the interaction characteristics (such as size and perceived power) impact on the expectations and activities of companies	Clark (2000); Sanderson, 2004.

3.1. Trust as a driver of expectations development

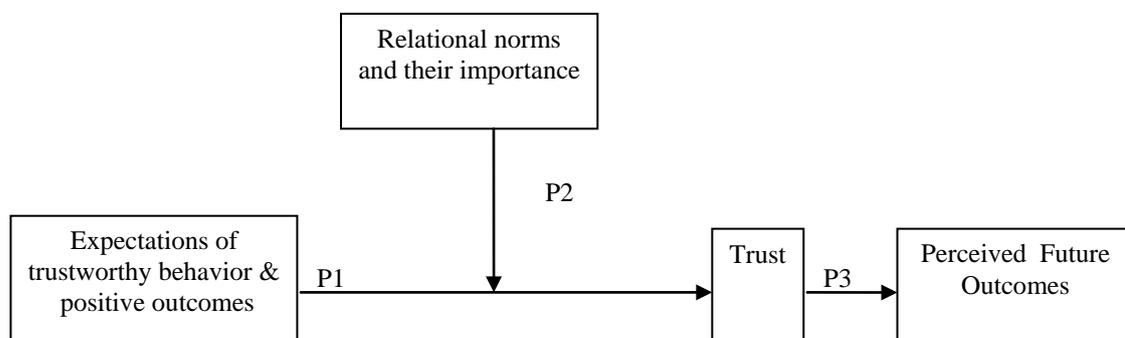
Expectation is closely related to trust, which is seen as one focal concept in business relationships (Morgan & Hunt 1994; Barney & Hansen, 1994). Trust can be seen as an expectation of another party's competence and goodwill in future situations involving risk (e.g. Blomqvist, 1997). According to Dwyer et al (1987), trust has crucial importance in understanding expectations in cooperation and planning of relationship development. The role of trust is highlighted in situations with high uncertainty, risk, complexity, information asymmetry and inter-dependency. In business-to-business interaction both the inter-personal and impersonal sources/objects of trust are seen as important, i.e. trust in boundary spanners and decision makers, but also trust on impersonal aspects such as firm strategy, processes and organizational culture, as well as products and services (e.g. Doney & Cannon, 1997; Kosonen et al. 2008).

Cross-border B2B relationships are seen as a revealing context for studying the dynamics in expectations and trust. Expectations about social and impersonal (institutional) trustworthiness are partly based on national, organizational and professional cultures. Due to the factors of national or cultural environment, trust might be differentiated at both interpersonal and impersonal level (Doney & Cannon, 1997; Doney et al. 1998; Kosonen et al. 2008, Blomqvist, 1997); in relation to individuals' role in interaction (Halinen & Salmi, 2001; Palmer, 1995; and expectations (Mittilä, 2002; Juhantila & Virolainen, 2003; Andersen, Christensen, & Damgaard, 2006; Grønhaug & Uusitalo, 2006). These differences in perceived trustworthiness and experienced trust might have a critical effect on dynamics of expectations development by partners.

3.2. Relational norms as a driver of expectations development

Anderson et al (2009) define expectations as reflecting relational norms, internalized by partners. The study by Anderson et al (2009) is based on selective approach to relational norms selection, highlighting communication between the partners, role specification and coordination of work, nature of planning horizons and trustworthiness of the partner as a component of relational norms. Campbell (1998) is mentioning sharing information, openness, cooperation and interdepartmental norms as antecedents of selected style in business relationships. The scope of relational norms, presented in existing literature is even wider. Thus Ivens (2006) has conducted a thorough analysis of existing conceptual and empirical approaches to define relational norms, which results in a list of norms, including role integrity, planning, effectuation of consent, flexibility, solidarity, mutuality, conflict resolution, restraint in use of power, information exchange, long-term orientation and monitoring. Perceived importance of these roles might vary substantially among the partners, involved in interaction, thus shaping different expectations and predicting potential discrepancies in expecting certain behavioral patterns and outcomes by partners.

Summarizing our assumptions on the nature of expectations and their drivers, we propose that there is certain initial component of trust-based expectations, moderated by specific relational norms, internalized by partners and their relative importance (or differences in relative importance). They would have direct impact on formation of trust and perception of future outcomes. Therefore we propose that Expectations have an impact on trust (P1), Importance of relational norms moderates the relationship between expectations and trust (P2) and Trust has an impact on outcomes (P3).



Risk, complexity, information asymmetry

Figure 1. A conceptual model on the relationship of expectations and trust

4. Potential applications of the model

There might be suggested two potential aspects of model application, including time-perspective based approach and cross-border setting approach.

In time perspective the changes occur in any business relationship, leading to a higher alignment or, on the contrary, increasing the gap between the partners' expectations, behaviour and interaction outcomes perception (Campbell, 1987). The time perspective has two meanings in the context of this study. Firstly, we focus on the interaction process transformation with expectations, trust and outcomes perceived as the most important factors to consider. Secondly, since cross-border buyer-seller relationships are involved as the basis for the study, while one side represents developed and another side a developing economy, time factor can be seen as a reference point for both parties to develop proper expectations of this interaction and plan their interaction strategies. It can be assumed, that depending on previous experience, there might be significant discrepancies in expectations between the partners. And as existing research suggests "when one of the partners ... comes from an emerging country and the other from a highly developed economy, their configuration of objectives ... will almost certainly differ from that in the case of partners from two developed markets" (Child, Faulkner, 1998, p. 297.) In fact, difference in the nature of institutions in developed and developing contexts may influence to what extent uncertainty and ambiguity in resource decisions will influence interaction and the rules of exchange (North, 1990; Pedersen and Thomsen, 1997; Hitt et al, 2000, p. 451).

Thus in the time perspective, expectations of trustworthy behavior (competence, goodwill [and identity]) will influence firm's willingness to trust the partner and will driver positive expectations. Development of relationship over time might bring up certain critical events, which would test the relationship and compatibility of relationship norms among the partners, either supporting further trust development or potentially leading to dissolution of relationship. Over the longer period the learning circle of adaptation and norms internalization between the partners should lead to adjusted expectations and better

anticipation of potential outcomes of a relationship.

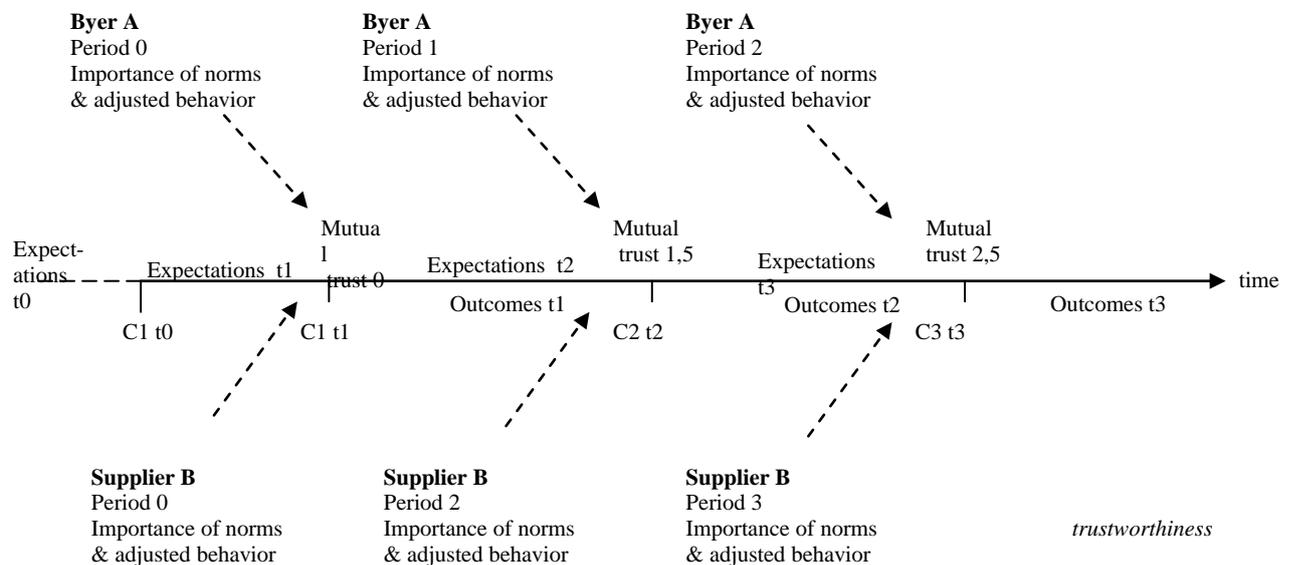


Figure 2. Dynamics of expectations, trust and outcomes

Planned methodology of the study

Finally, developed model might be applied for analysis of business relationships dynamics in a cross-border buyer-seller relationship level (a dyad). Such investigation might be based on the critical incidents investigation (e.g., Holmlund-Rytkönen and Strandvik, 2001), leading to turning points in interaction process. Recent study by Anderson et al (2009), based on expectations model, reflecting relational norms of the partners, was also conducted in cross-border context, highlighting the role of additional context factors. The cross-border interaction settings would provide additional environmental context, influencing the importance of expectations and their confirmation over time.

As existing research suggests “when one of the partners comes from an emerging country and the other from a highly developed economy, their configuration of objectives ... will almost certainly differ from that in the case of partners from two developed markets (Chilad, Faulkner, 1998, p. 297). In fact, difference in the nature of institutions in developed and developing contexts may influence to what extent uncertainty and ambiguity in resource decisions will influence interaction and the rules of exchange (North, 1990; Hitt and Borza, 2000).

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