Sustainability in B2B relationships – Focusing on economically responsible actions

Päivi Jokela & Aino Halinen

Turku School of Economics, University of Turku
Department of Marketing and International Business
20014 Turun yliopisto, Finland
corresponding author: paivi.jokela@utu.fi

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Abstract

Striving for sustainability in environmental, social and economic terms has become a key issue for business organizations in many sectors. Drawing on the IMP Approach to business relationships and the equity theory we focus on economic sustainability, defined as the viability of business in long-term as perceived by relationship parties. By adopting a behavioral approach to sustainability we approach it through responsible and irresponsible actions taken vis-à-vis the business partner. We propose the four key concepts central to describe economically responsible actions in a B2B relationship are: mutual orientation, adaptations, use of power, and perceived fairness.

The preliminary findings of our work-in-progress paper examining the machinery and metal industries indicate that demonstrated responsibility in sharing and managing business processes can have economic significance for the exchange partners. This manifests through competitive bidding, contract-related matters and flexibility concerning changes in operations. Asymmetries in the relationship (e.g. resource dependence) provide opportunities for the use of power, which plays a critical role in determining the rules and norms of exchange and sharing of its eventual benefits. Potential for co-development between the partners is far from being fully utilized, impeded by the prevailing uncertainties concerning the relationship continuation, even if an emphasis on common interests and long-term orientation could contribute to the firms' future competitiveness and economic sustainability.

Key words: Exchange relationships, sustainability, mutual orientation, fairness, adaptations, asymmetry, machinery and metal industry

INTRODUCTION

Conducting responsible business and striving for sustainability have become increasingly critical for business organizations. Environmental protection and maintaining social welfare in supply chains have received much attention among companies because of their expected influence on corporate reputation, to stakeholder perceptions, and eventually financial performance (Bourlakis et al. 2014; Fraj, Martinez & Matute, 2013; Hoejmose, Roehrich & Grosvold, 2014; McWilliams, Siegel & Wright, 2006). Sustainability practices of B2B firms have been widely studied, including the context of supply chains and networks (cf. Johnsen, Miemczyk & Howard, 2014; Sharma et al. 2010), some of the topics being the application of CSR programs in supply chains (Boyd et al. 2007), creation of business sustainable business model (Høgevold, 2011) and participation of B2B customers in life cycle management (Dekker et al. 2012).

In contrast to the environmental and social sustainability the third element "economic sustainability" in the firm's "triple bottom line", has received much less attention. It has been referred to as firm's economic viability in the long-term that relies on value creation through products and services as well as pursuing of economic growth and profits (Carroll, 1999; Castel Branco & Lima Rodrigues, 2006; Dyllick & Hockerts, 2002). In B2B relationships economic sustainability has been approached by examining the financial impact of sustainability actions mediated through reputational effects (Czinkota, Kaufman & Basile, 2014) or by focusing on competitive advantage gained through more efficient use of resources in supply chains through collaborative efforts (Cheng & Sheu, 2012; Gold, Seuring & Beske, 2010). Overall, we have very little knowledge on how economic sustainability can be understood in B2B relationships, either in empirical or conceptual terms.

In this paper we address this gap by examining what is the meaning of economic sustainability for the business actors and how companies in the relationships can act vis-à-vis each other in an economically responsible and thus sustainable way. In contrast with most extant research we focus on the economic sustainability as a conceptual dimension of its own, and turn the focus from an individual firm towards business relationships. We put forward that economic sustainability has importance in its own right and not only in relation to other dimensions of sustainability. In literature on business relationships the meaning of economic sustainability has been undefined or referred to in terms of long-term profitability but the mechanisms for achieving it require more profound inquiry.

Perceiving that sustainability is achieved through responsible actions (Carroll, 1999), we suggest that analyzing actions that demonstrate economic responsibility towards business partners can be used as a way to understand economic sustainability in business relationships. Mutual orientation to exchange, adaptations and use of power, and the perceived fairness of partner's actions are proposed as the key concepts to make sense of economic responsibility in business relationships.

Theoretically the study is based on the IMP Approach to business relationships (Håkansson & Snehota 1995) and the equity theory view (Adams, 1965; Cook & Messick, 1978) on inter-firm collaboration (see e.g. Jap, 2001; Gundlach & Murphy, 1993). The paper is work-in-progress and empirically it examines supplier and customer perspectives to relationships in machinery and metal industry that is extensively constructed around subcontracting relationships. Interviews at both supplier and customer companies are used as the primary data source.

The study contributes to the thin conceptual understanding of economic sustainability in B2B relationships. Instead of seeing economic sustainability as a derivate or as a means of fostering the other two sustainability dimensions, environmental and social, this study treats economic sustainability as an independent form of responsibility for its own sake. By developing the concept of economic sustainability in business relationships the study tackles explicitly a relevant but relatively scantly studied area of business interaction and links IMP theory development to current debates of responsible business.

The paper is structured in the following way: the relevant concepts are reviewed and the framework presented in the first section. Secondly, we discuss the methodology and provide an overview of the industry. In the third part we present initial empirical findings and we conclude the study with the key observations and paths for the continuation of this research.

CONCEPTUAL FRAMEWORK

Economic sustainability in B2B relationships

Sustainability has a future loading as it is often referred to as sustainable development, which "meets the needs of the present without compromising the ability of the future generations meeting their needs" (Bruntland, 1987). However, Pitelis (2013) has pointed out that needs may differ between the future and present and sustainability does not always target to development but can just refer to keeping something going on over time (The Concise Oxford English Dictionary). In the macro-economic level the criteria for economic sustainability are innovativeness and competitiveness (cf. Spangenberg, 2005) while at the firm level various approaches to economic sustainability have been employed. In the sustainability studies the economic dimension has primarily been presented as a function or an outcome of the environmental and social responsibility, although innovativeness has significance there as well. (Fraj, Martinez & Matute, 2013; Pitelis, 2013; Sharma et al., 2010). For example, good quality CSR reporting was found to decrease the cost of equity capital, implying that investors are interested monitoring the state of matters in companies and value it accordingly (Reverte, 2012). Furthermore, the innovation in processes aiming at environmentally friendly products increase efficiency and lead to economic sustainability (Hami, Muhamad & Ebrahim, 2015). On the other hand economic sustainability is pointed out being instrumental for these two dimensions through the long-term economic viability that provides the resources for environmentally and socially responsible actions (Carroll, 1999; Castelo Branco & Lima Rodrigues, 2006; Knight, Pfeiffer & Scott, 2015).

An alternative perspective to sustainability, strongly linked to its economic dimension, is to examine it through the compatibility of objectives of different economic agents in the long-term. The short-term actions of the parties should not contest or harm the parties' satisfaction related to these objectives in the long-term (Pitelis, 2013). Adopting this perspective to economic sustainability, we will approach it in business relationships by observing how aligned the objectives of the different parties in the relationships are and how the actions they take influence the other party in economic terms in the long run. Furthermore, achieving economic sustainability has been suggested to take place through value creation and the firm's ability to capture value that it has helped to create or co-create when striving for competitive advantage against its rivals (Pitelis, 2013). Economic sustainability has been discussed mainly from an individual firm viewpoint, although the role of other firms has been recognized as value co-creators (Pitelis, 2013). Widening this perspective we suggest that these relationship parties participate in creating value and contributing to the sustainability process at a dyadic level. This is relevant for understanding the mechanisms of the economic sustainability by considering the views of different parties. When individual firms care for other actors economic sustainability this implies they cannot always adhere to the Pareto efficiency principle which refers to a condition where one cannot be made better off without someone else made worse off (Varian 1992). Striving for profitability for economic sustainability by one party can take place in the expense of the other actors' margins and have an opposite effect on their sustainability.

The stand taken includes the element of responsibility (Carroll, 1999): the economically responsible actions from one party do not contest the satisfaction of other parties in the long run regarding their objectives and their ability to reach these objectives. Widening the perspective from an individual firm toward business relationships it is also suggested that actors can – and they often are even compelled to – jointly work towards creating and capturing value in order to achieve competitive advantage and economic sustainability.

Mutual orientation as a basis for economic sustainability

Responsibility manifests through *mutual orientation*. Mutual orientation is a measure of how much a company is prepared to refrain from its own individual goals or intentions in order to increase the positive outcomes of others, and through this, to ultimately increase its own well-being. It thus rests on a belief in the importance of collective goals or common interests of more than one company (Ford, Håkansson & Johanson, 1986), meaning simultaneously refraining from opportunism (Wathne & Heide, 2000) and unfair practices in their business dealings with each other (Luo, 2009). Seeking the hardest bargains with competitive bidding and short-term price-concessions can severely constrain mutual orientation (Gadde, Huemer & Håkansson, 2003; Gadde & Dubois, 2010). On the other hand, mutual orientation can also imply applying a joint consideration to costs, which are suggested to improve the economic outcomes for both parties (Gadde & Dubois, 2010). From this viewpoint, this responsible approach to the costs can also contribute to the economic sustainability together with well-functioning long-term relationships without the search for continuous concessions and short-term economic efficiency, but instead focusing on coevolution (Gadde, Huemer & Håkansson, 2003). Particularly competitive bidding aiming at short-term transaction-based relationships can create barriers to mutual orientation (Gadde & Dubois, 2010). Firms consciously taking the necessary steps to secure partners' economic well-being can possibly create opportunities and offer competitive benefits for both partners. Through mutual orientation the firms can aim at 'expanding the pie' of benefits between them (Jap, 2001).

Adaptations and long-term orientation

Responsible actions are also manifested in adaptations, which form an essential process in inter-firm interaction and value creation in long-term relationships (Gadde & Dubois, 2010; Håkansson & Snehota, 1995). Adaptations occur for example when companies are coupling their processes in order to achieve gains in the long-term through joint improvement (Wathne, Biong & Heide, 2001). Their nature can thus be technical or they can be related to administrative routines (Gadde & Dubois, 2010). While the time perspective and the gain expected from them determine to what extent they are made, in reality they often result in complex interdependencies that evolve gradually as resources are used and created in the relationships (Håkansson & Snehota, 1995). Since adaptations are regarded as investments, according to Bresnen and Marshall (2002) many companies are more willing to receive the advantages of price competition. They are driven by more favorable deals from alternative suppliers and avoiding being locked into relationships.

Perceived fairness

Perceived fairness refers to how the relationship parties view each other's actions in relation to the prevailing norms and rules of the focal relationship and to a certain extent the industry norms. Drawing on equity theory (Adams, 1965; Cook & Messick, 1978; Greenberg, 1987), it is suggested that the perceived fairness of sharing in the relationships has impact on how the gains are generated (Luo 2009). Distributive justice in relationships refers to fair sharing of the outcome in relation to the input and procedural justice to involving the relevant parties and considering their views in the decision-making processes (Leventhal, 1980; Luo, 2006; Luo, 2009). In addition, interactional justice represents the interpersonal aspect of justice and acting according to the accepted behavioral norms (Luo, 2009). We suggest that mutual orientation requires fairness in all these three respects. Perceived fairness with regards to processes, outcomes and relational exchange, can also be expected to increase the willingness and readiness of the actors to continue their investments (adaptations) and working for the future competitiveness of the relationship while – at the same time – expecting to get a fair share of the value created.

Use of power and asymmetries in relationships

The use of power in the relationships, the excessive influence of one company over the other in the relationship, is primarily based on imbalanced possession and use of resources that leads to asymmetries in dependencies and commitment in the relationship (Gundlach, Achrol & Mentzer, 1995; Holmlund & Kock 1996; Johnsen & Ford, 2002; Kumar, 1996; Mouzas & Ford , 2006). Those imbalances create relationship asymmetries, which is a state present in the majority of the relationships also including the long-term ones. In spite of the possibility that the more dominant party can act opportunistically due to the strong power position, asymmetries are not necessarily always equal to destructive use of power that would cause the parties to look for alternative relationships (Hingley, 2005).

Instead, there are ways to operate the asymmetric relationships such as contracts. According to Mouzas and Ford (2006) there are manifestations of the 'joint' consent that the parties have reached in spite of the differences they may have, e.g. in terms of their size or their network position. The 'joint' consent is not a fully covering protective shield against the relationship asymmetries and the differences can continue to influence if power is used by the more dominant party, which can still benefit from the contract more than the counterpart. However, the less dominant party can choose to engage in the relationship with the expectations concerning a substantial business size, exclusivity, cost advantages and business reliance even when the relationship would be more favorable to the more influential party (Hingley, 2010; Mouzas & Ford, 2006). It is important to note, that the use of power and related asymmetries can impede mutual orientation and influence the perception of justice and fairness in the relationships (Crespin-Mazet & Flipo, 2009). Also the commitment of the more dominant party to the relationship may be decreased if there are multiple alternative relationships available and the power position allows switching the partner swiftly.

We suggest these four concepts– mutual orientation, adaptations, perceived fairness and the use of power and relationship asymmetries, as a theoretical lens through which to conceive economic sustainability in business relationships. Mutual orientation forms the foundation for economic sustainability, i.e. for economically responsible actions in business relationships. Mutuality is manifested in adaptations that indicate a long term perspective to business with the specific partner. Mutual perceptions of fairness in terms of how economic outcomes are shared, relationship procedures managed and individual people interact in the relationship, importantly influence the willingness of business parties to engage in further adaptations and to commit themselves to collaboration. Finally different asymmetries and the resulting imbalance in influence and power represent an important relational characteristic that may severely impede responsible actions and thereby the realization of economic sustainability in a relationship.

METHODOLOGY

The exploratory nature of the study motivated choosing a qualitative approach for the in-depth scrutiny of the phenomenon. Instead of choosing a single case strategy and focusing on one company in detail, we found it more appropriate to include the views of several companies and combine these views (Miles & Huberman, 1992; Kuzel, 1992; Patton, 1990). Economic sustainability is a sensitive topic to be studied within existing relationships and between real counterparts. For gaining a wider picture of how it is perceived within an industry among various types of suppliers and industrial customers, a traditional interview study where single companies and informants were approached was considered an appropriate strategy.

Focus on machinery and metal industries

Being aware that questions of economic sustainability and fairness are present in business relationships in any industry (see e.g. Hingley, 2005 for food industry; Liu et al., 2012 for home appliances) we decided to focus on the machinery and metal industry. Our observations based on industry reports (Metallin toimialakatsaus, 2014) and previous literature on similarly structured automotive industry (Kotabe, Martin & Domoto, 2003; Högberg, 2002) indicated that the machinery and metal industry could create a favorable context for the study.

In the industry outlooks machinery and metal industry commonly appear together. In economic terms they represent the largest employer in Finland today with 130.000 employees in total and turnover of 25 billion euro in 2014. Their domains are tightly interrelated through theirs offerings; metal products are extensively used in the machinery industry, as components or as parts for larger systems (Metallin toimialakatsaus, 2014). The industry is thus strongly based on subcontracting, implying that main customers or principles can be responsible only for the final assembly of their products and otherwise relying on external supply sources through their extensive and multi-tier supplier networks. The firms in the supplier side are typically small with a small number of customers (n<50), whereas the large customers can have thousands of suppliers. Companies commonly possess a dual role in the relationships, as suppliers at the different tiers can have their own supply networks.

Empirical data collection

The main sources for the empirical data were interviews and to a lesser extent company annual reports. The data collection started in end of the year 2014 with the interviews of the industry experts with a solid understanding of the industry dynamics. These interviews served as a pilot study confirming that the topic is indeed relevant for the industry companies and worthwhile studying further. When approaching the companies, according to the criteria set, they had to have on-going business relationships with other same industry business actors either with suppliers or customers that buy products, materials and parts to be used in their own products. Other characteristics, e.g. their size, type of products or customer segments were not specified. Capturing the view of suppliers and customers was found equally important for getting a balanced and holistic picture of how economic responsibility is understood in the industry. Due to the sensitivity of the topic in general and in relation to the respondents' companies on-going business relationships, it was communicated to the interviewees that they are participating in the study anonymously and no company data or any details will be presented that could link the findings to them.

The data collection is still on-going. The number of interviews included in the study will be 15-20 in total and so far we have covered two thirds of the target with 12 interviews with both supplier and customer perspectives. The interviews lasted in average 1-2 hours and they were either recorded or detailed notes were taken in each occasion. The informants are managers responsible for supply management or they are responsible for supplying to important customers. In small metal and machinery companies they often act in higher management positions, e.g. as managing directors/CEOs or are entrepreneurs themselves or board members.

The interviews were conducted in a semi-structured fashion with open-ended questions. We prepared an interview guide following the main themes with rather detailed questions but allowing flexibility in their order and use; e.g. some questions did not apply to all companies and were therefore passed unanswered. To get the discussion on the right track and at a concrete level we first introduced the topic of economic sustainability but framed the questions around experienced fairness in business relationships. It was important to receive rich real-life examples of how economic sustainability manifests in business. Two approaches were used in this purpose: First, we encouraged the informants to tell their own experiences of especially responsible and irresponsible actions taken by companies in their industry. Secondly, we asked them to tell about such experiences in concrete processes of supplier-customer interaction, e.g. in competitive bidding, contract negotiations, inter-firm communication, and collaborative development of processes or products, where we could expect the norms and rules of behavior to become visible and assessment of fairness to be relevant. These concrete interaction processes and related actions were also used in the initial categorization of results.

PRELIMININARY FINDINGS

With the aim of understanding what economic sustainability is in B2B relationships, we cling onto the questions of fairness, and seek manifestations of mutual orientation, adaptations, and asymmetries.

Mutual orientation

Following the definition of mutual orientation and exploring the areas where partners in the relationship could look after each other's interests, (instead of merely their own interests) (Dubois & Gadde, 2010). It was obvious there was potential for development in this area in the companies. The short-term time span in the relationships and the use of the 'market-based' approach formed a barrier for the mutual orientation and adaptations to develop in the firms studied. It was put forward particularly on the supplier side but also understood by the customer that a closer cooperation could possibly expand the "pie" (Jap, 2001) and improve their competitiveness through higher quality and development initiatives.

Adaptations

Adaptations between the supplier and customer were perceived necessary to a varying extent for the maintenance of the relationship. The suppliers took it upon themselves the task of complying with the customers' quality standards, sometimes in addition to the generally recognized industry-wide quality standards, also investing in machinery when needed. The latter was based on the expectation that the relationship will continue in the future as well, although this was not specified in every case in the contract. It was also expected that the customer would recognize the investments made by the supplier when new competitive biddings were considered. The current state of affairs was that this was not always happening, which was perceived as unfair and the existing purchasing policies were not always considered fitting to that particular supply context.

The prevailing outlook among the suppliers was that in terms of capabilities and co-development potential they would have more to offer for their customers if the cooperation was closer, more long-term and the uncertainties related to the competitive bidding reduced. It was seen that there were many possibilities for co-development: designing and developing the products in cooperation and jointly looking for improvements together, according to the model of the Japanese automotive industry model, which was mentioned as an example. It was perceived that the more consistent and committed customer behavior would contribute to stabilizing the relationships and allow more extensive cooperation and help the suppliers to overcome their hesitancy to make investments. In the long run, it was assessed that would benefit both parties and also have sustainability effects for both parties, together and separately:

> “From our point of view of course this kind of long-term cooperation, there we could achieve much savings, and both parties could save money and resources.” -Managing director of a supplier company

The relationships impacted by the restructuring of the firms and extensive outsourcing on the customer side. It was assessed that when know-how, also the design, was moved from the firms to external parties, this led to the disappearance of the essential understanding of what is feasible and possible to produce. Furthermore, in certain cases, also the corporate policies and internal purchasing and sourcing department conflicts at the customer side were seen as factors impeding fruitful cooperation between the parties. For example, supplier innovations were sometimes rejected due to the not-invented-here syndrome, although they could have brought significant cost savings for the customer.

Concerning customer processes, suppliers expressed that they were hesitant to propose any improvements, since they would not want to receive a reputation as a difficult and “complaining supplier”. In the customer-side the stand was understood, while simultaneously they themselves recognized the possible need for improvements.

Perceived fairness

Exploring the areas where fairness could manifest in the relationship, a set of two key areas was identified. Firstly, fairness or unfairness was strongly manifested in competitive biddings and various contract-related matters, where the rules and standards, commonly imposed by the dominant customer were economically critical for the suppliers. Secondly, communicating the changes taking place in production schedules and quality requirements were perceived fair or unfair depending on the approach selected by the more influential party. Also this issue had economic significance, which in the long run was assessed to have effect not only on the relationship quality in terms of satisfaction but also the competitiveness and economic sustainability of each actor. These aspects are further discussed below, from the sustainability point of view.

Contracts and competitive bidding

The main fairness-related issues with regards to the contracts included 1) the terms of contract, mainly related to the international customers and 2) the unbinding role of the contract and competitive bidding.

1) The standard contract terms of large international companies were found demanding by the small actors. The terms concerning product guarantees required from suppliers concerned larger entities than the products that had been supplied and the payment terms of 60-90 days or longer reduced the suppliers' liquidity. Generally the latter was mentioned problematic as the ability of the companies to meet their obligations e.g. toward their own suppliers would be compromised and it would have direct sustainability effects. It was assessed that the corporate policy aiming at optimizing the amount of cash in the end of the quarter for reporting purposes possibly originated from consultant recommendations. However, it was possible to negotiate to a certain extent beyond the standard terms, but a starting point for the customers was that the same terms should apply to all suppliers as it would be problematic to make amendments when there are several hundreds or even thousands of suppliers. Also, it was experienced that certain suppliers were more used to work with large-scale customers than others. For the suppliers, another solution was to choose to work without a valid contract, based on requests for quotations, since the terms of contract were considered excessive:

> "(With this customer)…we don't have any contract. I'm not going to sign anything like that. That is our "contract" with a few customers. But they buy from us, because they cannot find those things anywhere else." -CEO of a supplier company

2) Another fairness issue that emerged was that *the role of the contract was not clearly defined* as competitive bidding and contract-related matters were found to be intertwined to a certain extent. Suppliers perceived somewhat problematic that customers were commonly using competitive bidding even when the relationships were on-going with a signed contract. While competitive bidding usually takes place *before* the contract is signed, in the described cases the customer could have valid contracts with several suppliers, but still to make a request for quotation to locate the most price-efficient option or to scan alternative options continuously. This was mentioned by a CEO of a supplier company:

> "We do have a contract, but they can have it with many suppliers and every time they are bidding who is going to be the cheapest. They just want to have contracts ready, so that we know about the fines and rules. But they don't promise to order, and we don't promise to deliver."

In these cases, the role of the contract was then, to ensure the ability of the supplier to supply the specified parts or products, but there was no commitment that the orders will be placed at a certain time. The contract was referred to more as a price list if they were already negotiated for the contract.

Table 1

Perceived fairness in	**Supplier view**	**Customer view**
Contracts	-Contract terms are too complicated and assign too wide responsibility to the supplier, e.g. guarantees -Price concessions are asked even during the contract period -Contract does not commit the customer	-Terms are same for everyone. Suppliers have to be experienced. Flexibility in some aspects -Customer is facing market uncertainties -Supply security and economic efficiency as targets -Customer has a right to instruct the supplier to develop its cost structure
Competitive bidding	-Continuous bidding prevents the relationship from developing and the supplier potential is not fully utilized -Causes uncertainty to supplier business	-The supply base has to be wide enough to secure the supply -There has to be a match in quality etc. dimensions but the price is a starting point
Changes in operations and communication	-Supplier does not always communicate clearly the changes in production schedules -Supplier may explain the unexpected situations to customers	-Supplier does not follow instructions or lack of communication from customer side -Customer is as flexible as possible -Customer takes financial responsibility for the unfit products in certain cases

Understandable from the customer view point as a means to attain supply security through the commonly used policy that there should be at least a few alternative sources for the products. But it was perceived by the suppliers as a factor that impeded possible co-development and increased uncertainty, e.g. in the relationships with their own suppliers. In terms of prices, contracts were not binding either, as customers requested suppliers to lower prices during the contract period. This was explained by the market situation or the volume of the order. However, it was often included in the contracts that a certain amount of increase in the prices of raw material can be added to the price agreed by the customer, but in general suppliers found it hard to argue that there is a need for an additional raise. The views of the different parties are presented in the Table 1.

Communicating and taking responsibility of changes

We found that the parties considered each other's' interests more in the operations, particularly when there were changes in the forecasts and production schedules. Fairness manifested through flexibility of the parties concerning how to take care of the changes and the positive examples were also important in financial terms. It was considered meaningful how parties communicated the changes and shared the related economic responsibilities. Suppliers experienced fairness from the side of the customer in the following cases:

- When the forecasts for certain products were reduced, the customer made an effort to fill the quota of that supplier by ordering other products

- The changes in products due to certain legislation-related matters, e.g. product security that made the finished products obsolete were covered to a certain extent by the customer.
- Overall flexibility by the customer and re-scheduling when e.g. raw materials being late caused delays in supplier production and deliveries. When re-scheduling was not possible the products had to be ordered from another supply source. The customer side has also pointed out alternative raw material supply sources or given access to their own raw materials. Suppliers think that this policy was more common before the downturn.
- Customer taking care of the logistics that changed accordingly and in general use of favorable carrier terms that shift the responsibility on the customer

The experienced unfairness was related to the lack of communication by the customer related to scheduling and quality. The customer did not always take care of expressing the changed needs clearly enough or just neglected informing the supplier. This caused later problems due to the discrepancies between the desired and delivered quality and the related financial responsibilities concerning the reclamations. Furthermore, the domestic suppliers hold a view that their quality was more tightly monitored than the low-cost country suppliers, which put them into an unequal position in terms of responding to reclamations and related financial responsibilities. However, in the long-term relationships the suppliers felt more comfortable to contact the customer to ask for the flexibility when needed. On the customer side it was understood that too many changes the customers would request could eventually harm the regular production and the customer itself.

Use of power and asymmetries in relationships

Asymmetric power relations played an important part in how fairness was perceived by the actors. In the relationships the standards and norms were commonly set by the more powerful party with the exception of such cases that suppliers had a special technology, a process or a product as a bargaining chip. Fairness-related issues and their contents had also changed over time. The actors perceived that the economic volatility since 2008 and increasing market uncertainty brought tougher rules and standards to control exchange. The most resourceful parties could use their power for demanding benefits for themselves, which influenced the atmosphere of the industry. Even when the market situation stabilized, the same rules and standards continued to govern the relationships up until today making the changes more or less permanent. One of the most visible indications was the use of a shorter time span in forecasts, and the effect multiplied further with other upstream suppliers, introducing network-wide implications.

DISCUSSION AND CONCLUSIONS

This on-going study is aimed at scrutinizing how economic sustainability can be understood through mutual orientation, adaptations, fairness, use of power and asymmetries in B2B relationships. Based on our initial findings, the responsible actions and the related questions of fairness are recognized and increasingly discussed among the machinery and metal industry actors. This fostered our motivation to continue the study and to seek contribution to the discussion on those policies and firm actions that promote fair and viable business dealings and potentially better competitiveness to the whole industry.

Including the time dimension into the analysis revealed hardening of the rules and standards prevailing in the exchange relationships since the start of the economic volatility in 2008. It became evident that responsible actions can receive multifaceted economic significance in the context characterized by abundancy of networked and asymmetric subcontractor relationships. The impact of actions in these relationships on sustainability translated fiscally varies from minor amounts to larger sums that can affect the viability of the company.

Fairness or unfairness manifests in the exchange relationships in several areas, from flexibility and communication in operations to contract terms and continuous competitive bidding, reflecting the various degrees of mutual orientation in each area. Particularly the latter two, but to a certain extant all these areas with the related financial implications are proposed to have effects on the economic sustainability of the parties in the relationships although these effects can be distinct for each party. The perceived fairness was at a satisfying level in re-organizing the production, whereas competitive bidding and demanding contract terms targeted for economic efficiency and improvement of the position of one actor indicated seeking self-interest. The use of international consultants when adjusting customers' corporate policies and purchasing policies, as well as extensive outsourcing of functions and outflow of know-how were perceived problematic and in certain cases as unfair by suppliers and influencing negatively the mutual orientation in relationships. These observations are in line with the idea that a dominant actor seeking economic sustainability can influence negatively the well- being of others and therefore economic sustainability needs to be examined at the relationship level.

In addition to the maintaining fairness in contracts and competitive bidding, our findings suggest that achieving economic sustainability can take place through maintaining competitiveness together in an industry through such offerings that can defeat those of the competitors. The search for the hardest bargain continuously together with unfavorable contracts impedes co-evolution and co-development that work through adaptations. Ideally benefiting all parties and increasing their competitiveness in the long run, co-development can generate improved product quality and innovative solutions (Gadde & Dubois, 2010) which both can contribute to the competitive advantage and economic sustainability (Pitelis, 2013). So far our results could not confirm this positive scenario. The recent economic downturn and sharp asymmetries in supplier-customer relationships in the studied industry have prevented such collective visions. As a result of the low commitment new rounds of competitive bidding are expected to follow. Consequently companies have found difficulty in planning ahead to make new investments. On the other hand suppliers also recognize that businesses are not charitable organizations and expectations in relationships may be higher than promised in their on-going relationships.

As this is a work-in-progress and the empirical data collection is still on-going, we expect to gain more solid understanding, and in our presentation bring forth more covering insights on how different economically responsible and irresponsible actions impact the relationships, and how they are linked to economic sustainability. Furthermore, while recognizing the challenges related, nonetheless our future aim is to deepen understanding on the network-wide impacts of economic sustainability and focus on how the fair or unfair treatment of firms is filtered throughout the network with the possible implications to its functioning.

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