

Competitive paper

Managing via capabilities in less developed countries' turbulent environments

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ABSTRACT

One of the main problems firms struggle with when planning, making decisions, and taking action is the increasing uncertainty and turbulence in business environment. As pace of change increases, international trading grows and markets become more inter-connected and complex, dealing with turbulence and uncertainty requires more attention. To address this need, this research draws on the resource based view of the firm and social exchange theory to answer the question of how firms based in political-economical and regulatory turbulent environments of less developed economies deal with turbulence via business marketing capabilities. Data have been collected from 31 businesses and a total of 46 semi-structured interviews were conducted from businesses working in such turbulent environments. Data is then analysed within and across cases. Results highlight the relationship dynamics, dominant forms of exchange, and evolution of variable such as norms, expectations and trust in less developed economies. It also highlights useful capabilities that help firms and individuals based in such turbulent and uncertain environments have developed in successfully managing their relationships.

Keywords: Turbulence, Capability, Business Relationship, Relationship dynamics, Less-developed countries

INTRODUCTION

The increasing politic and economic turbulence causes disruption threatening societies, countries and organisations making managers and academic wonder what is required to survive today's unpredictable and changing environment. Events such as 9/11, economic recessions, political turmoil, strikes, wars, natural disasters and equipment failure pose severe threats to continuity of businesses. This research studies business relationships in firms that work in turbulent environments exploring characteristics of relationships in such environments and identifying major relational capabilities that helps firms survive.

The problem of working in turbulent environments has four folds. Firstly the environment brings threatening challenges that need to be managed through sudden shifts in strategies. Secondly operating in such environments is challenging as turbulence increases uncertainty, thus, rational decision making becomes more difficult due to ambiguity and lack of information (Duncan, 1972). Thirdly, while action and fast decision making are vital, systems operating under such tension get paralyzed and cannot put themselves together to act with confidence (Weick and Sutcliffe, 2007). Finally, such disturbances not only threaten the existence of individual firms, but can also amplify to other firms that are somehow linked to the focal firm (Sheffi and Rice Jr, 2005).

The hyper-connectivity of businesses in today's world and the increased international trade contribute to augment the complexity of the business environment and therefore of the potential for turbulence turning to chaos (Weick and Sutcliffe, 2007). Some firms have proven that building up on specific capabilities and resources such as readiness, response and recovery mechanisms, could improve their ability to respond to unforeseen sudden changes in the environment (Syrett and Devine, 2012, Ponomarov and Holcomb, 2009). Prevalent among such capabilities is the ability to manage inter-firm relationships as they increase firms' access to tangible and intangible resources to front uncertainty and to manage disturbance (Pfeffer and Salancik, 1978, Sheffi and Rice Jr, 2005, Syrett and Devine, 2012).

Despite the agreement on the beneficial role of business relationships in achieving businesses success, firms find relationship management challenging in turbulent times. Among the reasons for this are the required flexibility in entering and leaving relationships to handle the unknown, as well as the need to long established relationships when firms face disruption (Syrett and Devine, 2012, Sheffi and Rice Jr, 2005). This tension between flexibility – stability of relationships creates unique dynamics in relationships and necessitates specific relational capabilities to establish and manage business relationships for firms who are constantly working in turbulent environments. Research on organisational and supply chain resilience highlights a number of capabilities such as close cooperation, open communication, networking and boundary management (Pettit et al., 2010, McCann and Selsky, 2012, Syrett and Devine, 2012). However, a number of issues on the management of turbulence remain contentious. Little is known about the dynamics of business relationships in turbulent environments particularly in less developed economies. In addition, most of the available studies have been conceptual, thus we respond to calls for more empirical studies particularly in less developed economics with are under-studied yet are subject to even more turbulence and uncertainty (Tukamuhabwa et al., 2015).

This empirical research draws on the resource based theory and social exchange theory of the firm and explores dynamics of business relationships in turbulent environments of the less

developed economies and concludes major relational capabilities required for such environments.

TURBULENT ENVIRONMENTS

According to Emery and Tirst (1965) organization acts in two environmental levels: the contextual environmental and the transactional environment. While the transactional environment comprises of organisations and individuals with direct interaction with the organization, the contextual environment is composed of factors believed to be affecting the organization but upon which the organization has no power or even influence on. Economic conditions such as inflation, economic growth, exchange rates, interest rates or socio-political issues like international relationships and law are examples of factors that form the contextual environment. Due to complexity of such factors, their frequent and irregular change and the firm's lack of control over such factors, they result in uncertainty, ambiguity and decision making issues for the focal firm (Pfeffer and Salancik, 1978, Duncan, 1972). While the transactional consisting of network of firms around the focal organisation, can add to such complications, it can at the same time mediate the effects of the broader environment by reducing difficulties it imposes (Anderson et al., 1994)

Turbulent environments are defined as the most troubling type of environments where uncertainty is at its highest, and the unpredictable change threatens the core of business (Emery and Trist, 1965). In such environments, firms work under high levels of stress, time pressure, and panic. In addition, they are not able to access valid and timely information to strategize, make rational decisions, act and coordinate activities (Weick and Sutcliffe, 2007). This is despite the fact that the survival in such conditions is dependent on quick decision making and action about use of resources such as relationships (Syrett and Devine, 2012, McCann and Selsky, 2012).

Influence of turbulence and how it can be managed has mainly been studied in technology shifts, financial crisis and natural disasters in developed economies (Sheffi and Rice Jr, 2005, Syrett and Devine, 2012, Weick and Sutcliffe, 2007). While disruptions may happen everywhere, turbulence is a part of everyday business life in less developed economies. Unpredictable high currency fluctuations, inflations, wars, chronic shortage or disruptions of physical and financial resources controlled by the government and other powerful political groups are some of the reasons for such turbulence (Sheth, 2011). Lack of democracy, unavailability of reliable information and powerful monopolies (Sheth, 2011) add to the uncertainty in operating in or dealing with such economies. All of such conditions make it more crucial yet more difficult to deal with relationships which may be the only constant reality in turbulent environments.

VALUE OF BUSINESS RELATIONSHIP IN TURBULENT TIMES

The resource based theory (RBT) of the firm (Penrose, 1959) argues that survival of the firm is dependent on its unique resources and capabilities that combine to create competencies (Day, 1994, Winter, 2000). As firms cannot acquire all the resources for their survival, they rely on other actors in the environment who have access to those resources (Thompson, 1967). As much as this creates dependency and relational uncertainties, it helps firms to handle the uncertainty and change imposed by their economic environment (Pfeffer and

Salancik, 1978). In other words, relationships bring both flexibility and resources required for turbulence and uncertainty. To manage such dependencies and make use of resources, Pfeffer and Salancik (1978) encourage firms to develop relationship management capabilities to understand the environment accurately and then gain control over its resources through other actors in the environment. Due to their nature as rare resources, difficult to understand and imitate, Inter-firm relationships are considered as sources of competence (Kleinaltenkamp et al., 2006).

In order to study business relationships the social exchange theory can complement RBT by adding non-contractual dimensions of business relationships. Social Exchange Theory (SET) developed by Blau (1964), Emerson (1976), Homans (1958) and Thibaut and Kelly (1959) argues that there are both tangible and intangible benefits to the exchange between two parties. Parties decide to enter an exchange based on both the history of exchange and expected tangible or intangible benefits from it (Blau, 1955), while they keep on weighing the benefits they obtain from the relationships against alternatives at any point in their relationship (Thibaut and Kelly, 1959).

Once the decision to enter a relationship is made, a series of discrete exchange episodes (Håkansson and Wootz, 1979) might follow resulting in tangible or intangible benefits or losses. The received benefits lead to reciprocal exchange, increased coordination, improved communication, decrease in conflicts and development of trust and commitment (Molm et al., 2000, Emerson, 1962). Another key benefit of reciprocal exchange over time is the formation of norms (Blau, 1969, Thibaut and Kelly, Homans, 1958) which is an efficient non-contractual agreements in the business context (Anderson and Narus, 1984, Anderson and Narus, 1990, Dwyer et al., 1987, Morgan and Hunt, 1994, Wilson, 1995). Norms help to reduce relational risk and uncertainty by agreeing to the manner in which interactions take place (Lambe et al., 2001).

Various forms of relational exchange have been conceptualized within a spectrum moving from discrete to relational exchange (Dwyer et al., 1987, Macneil, 1980). Dwyer et al. (1987) consider four relational exchange forms namely: no exchange, discrete exchange, relations exchange between seller and buyer, and exchange in a bio lateral way. Möller (2013) conceptualizes a spectrum of business marketing exchange forms based on level of relational complexity - substitutability and level of embeddedness. According to this typology, pure exchange is characterized by low relational complexity, high substitutability, and low contextuality and embeddedness. On the other hand exchange in strong relationships are characterized by high relational complexity, low substitutability and high embeddedness unique to network relationships.

Forms of relationships seem to be influenced by situational and process characteristics both of which are subject to market characteristics (Dwyer et al, 1987). Examples of such influencers are number of parties in the process, obligations and expectations of parties involved, social political and technological context, strategies of both firms and the history of interactions (Dwyer et al., 1987, Håkansson and Waluszewski, 2013). Another increasingly important factor influencing the form of exchange is the time pressure. Limitation of the time may exist due to the market turbulence or speed of change (Lambe et al., 2000). Such a time pressure necessitates more flexibility and adaptability in relationships (Varadarajan and Cunningham, 1995). Lambe et al. (2000) calls the relationships that are formed under time pressure, interimistic relationships that are argued to have inherited the characteristics of both economic-oriented transactional cost based exchange and relational orientation of SET based exchanges. Such relationships are characterised by Lambe et al. (2000) as intense

relationships with close collaboration, open communication and low levels of evolutionary trust.

Important relationship variables considered to be defining the form of relationships and helping relationships move towards more enduring and close relationships are: dependence, trust, commitment, cooperation, keeping promises, shared values, satisfaction, communication and norms (Lambe et al., 2000).

The result of comparison between the social and economic outcomes of exchange with alternatives, determines the dependence of the party on the exchange relationship (Thibaut and Kelly). If the benefits of relationships are greater than the alternatives for both firms, then they may be described as mutually dependent or interdependent on each other (Wilson, 1995). Dependence influences the development of key relational variables such as trust and commitment (Frazier, 1999), effect relational strategies (Anderson and Narus, 1990) and improves information exchange (Frazier and Summers, 1984). In addition, by providing access to resources such as information, dependence decreases environmental uncertainty (Pfeffer and Salancik, 1978).

Trust is another key variable in relationships which has been described by both SET theorists (eg. Blau, 1964; Homans, 1958) and business to business researchers (e.g. Morgan and Hunt, 1994) as the most important variable in relationships. Reciprocal behaviours and fulfilment of promises allow trust to be developed over time which then allows firms to move from discrete transactions to relational exchange. While initial exchange episodes may be relatively small or carry low risk, once the benefits of these small transactions are realized, firms may engage in riskier behaviour such as sharing important information (Lambe et al., 2001). As the value of the rewards given by one party increases, the receiving party must reciprocate benefit increases as well (Homans, 1958) which is how trust leads to commitment (Morgan and Hunt, 1994). Besides commitment, other relationship variables such as cooperation, conflict, communication, shared values and satisfaction are also found to be related to trust (Morgan and Hunt, 1994, Geyskens et al., 1999). In addition trust mediates the environmental uncertainty (Geyskens et al., 1999) as it reduces opportunistic behaviour (Morgan and Hunt, 1994). Although trust is believed to develop over time and through interaction, Lambe et al. (2000) argue that under pressure of time, there may be faster mechanisms to develop trust such as third party endorsement or reputation.

Another important variable in relationship is commitment which reflects the believe that the relationships is worth working on (Morgan and Hunt, 1994). Therefore commitment has future aspects as it captures the perceived continuity or growth in relationships (Anderson and Weitz, 1992). Trust, shared values, relationship termination costs and cooperation are found to be positively related to commitment which leads to acquiescence and cooperation and negatively influences intention to leave (Morgan and Hunt, 1994).

Communication; another precursor of trust, could be both formal as well as informal sharing of meaningful and timely information between firms (Anderson and Narus 1990, p.44). The importance of communication and information exchange in the relationships has generally been emphasized (e.g. Morgan and Hunt, 1994) as the glue that holds parties together (Mohr and Nevin, 1990). Communication not only helps the process of information between businesses, it also supports coordination and decision making and development of trust (Anderson and Narus, 1990). In addition it provides a convenient and simple means of gaining knowledge about the market (Varadarajan and Cunningham, 1995).

Finally, social exchange relies on norms as non-contractual agreed upon rules for behaviour and means of controlling behaviour without using power (Thibaut and Kelley, 1959). By agreeing to the manners of interactions, the degree of relational uncertainty may be reduced as norms are introduced (Thibaut and Kelley, 1959). Even when contractual mechanisms exist, relational conflicts are believed to be resolved without using them and through norms (Roxenhall and Ghauri, 2004).

RELATIONSHIP DYNAMICS UNDER TURBULENCE

Relationships and their characteristics evolve and change as a result of continuous interactions over time therefore any relationship is dependent on earlier patterns of interactions (Håkansson and Waluszewski, 2013). Some authors have therefore offered process view to relationships' life cycle metaphor based on ecological studies most of which identify five stages of relationship development namely: pre-relational, attraction, formation, expansion, and ending. Different relational factors are believed to exist in various stages at various levels and help the process of relationship formation move forward. Reputation, satisfaction, trust, social bonds, comparison to alternatives, mutual goals, power/dependence, adaptations, structural bonds, cooperation and commitment are examples of such factors (Wilson 1995; Ford 1980; Dwyer et al., 1987). Ideally such a lifecycle moves towards more commitment and adaptation and less towards uncertainty and distance; however due to various reasons it may end through termination, dissolution, switching, or exit (Halinen and Tähtinen, 2002). Alternatively they may result in a phase defined by Hadjikhani (1996) as sleeping phases in which relationships do not end but manage to have minimum yet important non-project interactions during the discontinuity.

Adopting the same concept, Schurr et al. (2008) suggest to pay attention to time by studying the connection of interaction with time and episodes that happen over time. The authors then suggest that in order to capture the processes involved in exchange it is useful to study episodes that refer to actions or outcomes of actions with specific content and time-frame. An episode can also be viewed as part of change process that involves learning, adaptation, commitment and distance-reduction over time (Ford et al., 2011). Schurr et al. (2008) categorize episodes into critical and characteristic episodes. To them, activities such as social interaction, communication, cooperation, and bargaining and information exchange could be called non-critical episodes or characteristic episodes that result in constructs such as trust. Critical episodes on the other hand are believed to be the ones which cause significant change in relationship or networks. As no episode stands alone, the authors suggest looking for patterns, often comprising of non-critical episodes, which create likelihood of critical relationship state changing characteristics episodes. Halinen et al. (1999) characterises different types of critical events forced or created from both relationships and the broader environment and identify entrepreneurial and strategic decisions as especially important in creating and managing events.

CAPABILITIES IN MANAGING RELATIONSHIPS UNDER TURBULENCE

While there is no doubt that resources are vital to firm's survival, their usefulness and value depend on how they are combined with the tangible and intangible resources of particular counterparts that exist in the network around the focal firm (Håkansson, 1982). Capabilities to bring such resources together and make use of them is therefore the key to

ensuring the usefulness of resources. Capabilities are complex bundles of skills and knowledge, exercised through organizational process that enables firms to coordinate their activities and to make use of their assets and resources (Day, 1994). In other words, they are high level routines and activities that produce outputs which clearly matters to the organization's survival and prosperity (Winter, 2000). To ensure the competitiveness, not only do capabilities need to fit to the environment, but they would also need to change in a dynamic way as the environment changes (Helfat et al., 2007).

According to Day (1994; 2000) Firms with relational competence "Have a deep base of experience that is woven into a core competency that enables them to outperform rivals in many aspects of ...[relational exchange] management. They have well-honed abilities in selecting and negotiating with potential partners, carefully planning the mechanics of the ...[relationship] so roles and responsibilities are clear-cut and continually reviewing the fit of the ...[relationship] to the changing environment"(Day, 1994). Benefits of having such competence are (a) better ability to work with their exchange partners, resulting in enhanced economic and social outcomes, (b) more likelihood of transform, or compromise, on economic outcomes, (c) more likelihood of choosing partners that will abide by relational norms, and 4) understanding the value of relational norms in exchange (Lambe et al., 2001). Day (2000) introduces three elements of market-relating capability necessary for firms to develop. The first is market-orientation encompassing the culture, mind-set, value and norms of the organization; second is knowledge and skills which are mainly tacit; and third capability is the integration and alignment of processes. These three elements of a market-relating capability interact and reinforce each other and form new capabilities.

Business relationships are managed in various levels of dyadic, portfolio, connected or net relationships and networks (Ritter et al., 2004, Möller and Halinen, 2000) therefore specific capabilities with respect to managing resources in various levels of the environment would be of interest to any firm. While the focus may move from managing individual relationships to managing portfolios, key accounts, stakeholders and networks the overall intention is to building, retaining and changing towards relationships that can help survival and long-term effectiveness as in reality, firms will not have time and resources to allocate to develop all the possible relationships accessible to them (Turnbull, 1990). While firms focus on long term relationships, in reality the company's portfolio of relationships contains a variety of customer relationships even including those with a transactional emphasis. The way portfolios are evaluated and customers are prioritized for a firm varies depending on the firm, industry and strategies (Anderson and Narus, 1991) yet the main question when deciding on any relationship is what value does a partner, customer or supplier bring to a firm (Zolkiewski and Turnbull, 2002). Examples of direct and indirect value functions that may be of interest to a firm could be profit, volume, safeguarding, innovation, market referencing, scouting and accessing others (Walter et al., 2001). Relationship management literature points out the importance of long-term relationship, as the value over time increases. At the same time, as situations change, accounts which are less attractive today may become attractive in future.

When dealing with relationships in dyadic, portfolio or nets, resources of interest require capabilities to access and control. To exploit such resources firms also need to improve their position and perception of others' identities and positions around them (Anderson et al., 1998), and manage flow of information and resources. In addition they have to be mindful that dependencies limit their flexibility to terminate relationships, a factor which may bring challenges in turbulent environments. Finally management in networks is involved with

specific challenges in creation and maintaining position, mobilisation of resources and actors and monitoring expectations and opportunities (Möller and Halinen, 2000).

One of the activities that firms are suggested to focus on during times of turbulence and uncertainty is to revisit their relationships by prioritising strategic boundary management (SBM); a fundamental, ongoing, ever-present activity which aims the balance of three activities: (a) destroying or minimizing previous boundaries (b) forming new boundaries and, (c) defending existing boundaries (Lynn, 2005). In other words, firms are asked to mindfully and systematically assess the risks, costs and value of all your relationships and interdependencies and decide which one should be strengthened, sustained or ended (McCann and Selsky, 2012). Consequently developing risk-management thinking capabilities (Perrow, 2007, Weick and Sutcliffe, 2007) and some techniques like stress-testing relationships are considered to help strategic boundary managers to evaluate their value in crisis situations before such situations hit the organisation (McCann and Selsky, 2012). As boundary management is handled by roles such as sales and purchase, importance of such individuals in managing turbulence becomes crucial.

As individual's knowledge of the surrounding environment might differ and as capabilities of individuals vary from person to person, a lot of success in managing relationships is linked to boundary management roles as the person who directly deal with external relationships (Geersbro and Ritter, 2010). Added to this is the fact that value seems to be created through personal interactions, meetings and personal judgements (Leek et al., 2002). A study by Singh and Rhoads (1991) illustrates that the level of uncertainty itself is influenced by actor's characteristics. Individual characteristics such as risk aversion, mental flexibility and stress resistance also leads to individual differences in perceiving and coping with uncertainty in different ways.

While relationship marketing is found to be more effective when relationships are built with an individual person rather than firm (Palmatier et al., 2006), it is difficult to identify when professional relationships end and social relationships begin as they are interrelated. Therefore, while considering Morgan (2000)'s distinction between the economic, resource and social content of relationships, social relationships should be considered an important element as it enables cooperation (Gulati, 1999). Based on this fact, one of the main capabilities that seem to help boundary managers is the bonding and bridging capabilities (Granovetter, 1983, Uzzi, 1997). Other capabilities that are suggested to be useful in managing relationships and networks are emotional intelligence (Naudé et al., 2014), social perception, impression management, persuasiveness, social adaptability, expressiveness and entrepreneurship capabilities (Baron and Markman, 2003). In multicultural interactions, the boundary spanner should not only be culturally sensitive and avoid communication failures, but he or she should also match their counterparts specially in high context cultures (Möller and Svahn, 2004, Batt and Purchase, 2004). While most of such capabilities are explored in sales roles, Wagner and Boutellier (2002) refer to internal and external collaboration capabilities as success factors in managing supply portfolios. Such external collaboration capabilities according to authors need to enhance goal congruence, trust and communication between the focal firm and the supplier.

A stressed upon factor in success in relationships is the experience of the boundary manager in identifying the right partner (Ford, 1980). While experience it is connected to the organisational memory (Walsh and Ungson, 1991), it is the product of individual and firm's environmental scanning (Fahey, 1999), benchmarking (Garvin, 1993)), Interactions with

customers (Nonaka and Takeuchi, 1995), alliances with other firms (Lane and Lubatkin, 1998) and learning by doing (Levitt and March, 1988).

Another personal and inter-firm aspect of relationships that has been under-studied is empathy which enables the two parties to see the situation from the other's perspective Rogers (1959). Empathy has been considered as important predictor of salesperson's success (Beveridge, 1985) and it improves customer trust, satisfaction and communication (Aggarwal et al., 2005). Iyer and Muncy (2003) emphasize the value of empathy in particular for contexts where the level of trust is low.

METHODOLOGY

This research explores the business relationship dynamics in political-economical and regulatory turbulent environment of the developing economies and unfolds capabilities in managing such relationships. A qualitative approach suits the exploratory stage of understanding the dynamics of business relationships in the turbulent environments (Creswell, 2012). As movement of physical goods and their scarcity will be influenced by turbulence, we have mainly focused on manufacturing companies. However, a number of technology and service based companies have been added to explore the differences that may exist.

First few cases have been chosen from the Middle East based on the researchers' previous experience in the region and her knowledge of industries such as chemicals, oil and gas and construction material. The selected industries have the advantage of having maximum exposure to business to business exchange in both supply and sales. Along with theoretical sampling, snowball sampling was used by asking participants to introduce businesses they know or are working with that have been successful in managing turbulence. This sampling method helped in three ways: first of all it ensured the selection of businesses that are capable in managing turbulence. In addition, as the nature of turbulence in the respective region is socio-political and economical, participants provide their views openly and feel comfortable with the researcher who is introduced through a trusted contact. Finally this approach allowed triangulation of data in several instances when participants introduced a company they were already dealing with.

31 private businesses operating in the Middle East Region were chosen manufacturing wide range of products such as chemicals, paint, polymers, minerals, construction, food ingredients and packaging (Table1). All of the businesses have exposure to both local as well as international suppliers and customers. Data have been collected by studying documents, observation and conduction of a total of 46 semi-structured interviews with sales, purchase or directors who had at least 10 years previous experience in either of the roles within the region. Wherever necessary, follow up interviews or interview with other roles in the same organisation was conducted.

Table 1: Summary of cases' characteristics

company	role/ roles interviewed	Scope of activities and markets	interviews	Level of exposure to local and international markets
Co1	General Manager	Manufacturing-recycled Packaging material to various industries including chemical, petrochemical, food and logistic.	2	Local and regional sales Local and international purchase
Co2	General Manager	Manufacturing specialized products and	1	Local and regional sales

		providing services to oil and gas exploration industry.		purchase from US
Co3	General manager	Manufacturing coating and paint for industrial and decorative use	1	Local and regional sales Local purchase
Co4	Sales Manager	Manufacturing Perfume	1	Local and International sales International purchase
Co5	GM	Manufacturing Ink for printing industry	2	Local and regional sales Local and International purchase
Co6	Purchase Manager	Manufacturing and distribution of perfume	1	Local, regional and international sales International purchase
Co7	General manager	Engineering, procurement, construction and commissioning of airport systems	1	Local and international sales, International purchase
	GM	Printing and gift items manufacturing	1	Local Sales, Local and regional purchase
Co8	Operations manager	Manufacturing construction cement based products	1	Local and regional sales, Local and regional purchase
Co9	GM	Distribution of household products	1	Local sales International purchase
Co10	GM	Branch of a European company selling specialized Claud and solutions for Oil & Gas	1	Sales to all continent except Europe Purchase from headquarters in Europe
Co11	Sales Manager1 Director Sales Manager2	Manufacturing and distribution of chemicals and colorants	3	Local and regional sales International and local purchase
Co12	Director	Group of investment and manufacturing companies in food and construction	2	Local and regional sales Local and local purchase
Co13	Purchase manager	Manufacturing Industrial and decorative coating	1	Local and regional sales International and local purchase
Co14	Purchase manager	Manufacturing construction material	1	
Co15	Operations manager	Logistics	1	Local sales
Co16	Purchase Manager	Manufacturing steel profiles for construction	1	Local sales Local and international purchase
Co17	Director	Production of U-V Ink and ink packaging	1	Local sales Local and international supply
Co18	Director	Manufacturing detergents	1	Local and regional sales Local and international purchase
Co19	Sales manager	Manufacturing food flavours	1	local sales regional purchase
Co20	Sales Manager	Manufacturing telecommunication facilities	1	Local sales International purchase
Co21	Account manager (oil/gas) Account manager (petrochemicals)	Manufacturing and trading oil/gas chemicals and recycled petrochemicals	2 1	Local sales Local and international purchase
Co22	MD Sales Manager	Manufacturing resins for paint and construction	2 1	Local and regional sales Local and international purchase
Co23	Sales manager	Manufacturing minerals	1	Local and international sales Local purchase
Co24	Purchase manager	Manufacturing edible oil	1	Local sales Local and international purchase

Co25	Managing director Sales consultant	Manufacturing poultry and eggs	3	Local sales Local purchase
Co26	Strategic manager	Manufacturing and distribution of personal care	1	Local sales Local and international purchase
Co27	Director	Sales/distribution of construction material	1	Local sales Local and international purchase
Co28	Sales manager Consultants Account Manager	Manufacturing Tire and rubber	1 2 1	Local sales Local and International purchase
Co 29	Purchase Manager	Tile manufacturing	1	Local sales Local and international purchase
Co 30	Director	Manufacturing Printing and packaging material	1	Local sales Local purchase
Co 31	Director	Medical equipment manufacturing	1	Local sales Local and international purchase

The interviews lasted from 45minutes to 90 minutes, during which the interviewer tried to understand the main sources of turbulence in the past and how they were dealt with. We have also asked participants about difficult or useful exchanges they have had with their suppliers or customers in the past asking them to explain how the challenges were managed. The taped recorded data is then transcribed and analysed by coding and taking a hermeneutic approach.

RESULTS

Interviewed managers confirmed that the environment they operate in is uncertain and turbulent. Influential disruptions named by them are mostly political, economic and regulatory such as instability, wars (e.g. the influence of ISIS), political unrest, foreign relations between countries, economic recessions, embargos and sudden changes in the regulations. As most the resources in the sample countries are mainly oil, primary industries, tourism, FDI, and construction which are regulated and managed by governments, a lot of disruption is due to government controls or liquidity issues. Such disruptions requires firms to act promptly and under extreme levels of time-pressure to ensure the limited resources or opportunities are capitalized on.

Another aspect of the environment that forces uncertainty and results in turbulence is the scarcity of information. In cases that information is available in terms of statistics or reports it may not be reliable. As governments regulates and manages upstream industries businesses have less control over changes in regulations and policies. Lack of democracy adds to the complexity and ambiguity as the governments do not feel the obligation to inform involve businesses or their representatives in the process of their decision making that includes change. As a result, participants refer to overnight changes in influential regulations such as importing goods, foreign ownership rights and investment rights.

Various forms of turbulence forced by the environment is highlighted by one of the participants who supply fuel systems for airports in the region. The 2008 economic crisis that hit Dubai, took them and Dubai market few years to recover. Soon after the recovery, Dubai was announced as the winner of Expo 2020; a news that excited the industries such as construction. Soon after 2020 projects were announced and property market was booming again, the sudden drop in the oil prices signalled a start of another recession. His biggest customers in Saudi Arabia are currently not able to meet their payment obligations due to their budget deficits. At the time of the interview, he has identified an alternate opportunity by working with Iran; a neighbouring country with considerable potential for his product. Iran has been under international sanctions for a long time waiting for such restrictions to be removed in few months. He has started negotiating for deals and hoped to start projects right after international sanctions are lifted in December 2015. In February 2015 and soon after sections were lifted, an unexpected political tension between Saudi Arabia and Iran has resulted in trade restrictions between United Arab Emirates (which is a close ally of Saudi) and Iran. This incident has forced limitations on businesses in United Arab Emirates and made them hold their expansion plans to Iran.

Surviving the turbulence

For managers who have worked in turbulent environments, business relationships are of very strategic importance. One of the reasons that appeared in our data is the need for timely access to information and interpretation of the events. Firms or individuals, who are based in turbulent environment, have trouble predicting the change and relating to its scope and influence. This leads to activation of business intelligence, business and social relationships to make sense of the change. Sometimes participants go as far as talking to businesses that operate in very different industries. For example the manufacturer of perfume consults with his contact in automobile industry before concluding marketing plans as he feels the recession hits that industry before the perfume industry. Their conclusions therefore seem to be very much the product of a collective interpretation of the environmental change. Another reason why relationships are deemed important is the fact that they facilitate access to strategic resources during emergencies or at least may provide information about the alternatives that may help after disruption. Such a role can be played because of their experience in previous emergency situations or their awareness of someone else's experience.

Our data shows that diversification is the key general strategy to managing turbulence. Similar to stock markets where portfolio of stocks in highly diversified industries serve better in terms of managing risks, firms based in turbulent environments make sure their portfolio of suppliers and customers are very different particularly in terms of their vulnerabilities. Some refer to having local and international suppliers for one product to make sure they can support them in various environmental scenarios. This happens while they are aware of the benefits of relying on only few relationship but for them such a scenario is considered too risky. The cost of such diversification to their operation is high but acceptable as it helps them to survive in long run. Due to the same reason, they are intentionally actively involved in various networks or take various roles in networks to ensure they capitalize on the resources and opportunities such networks may offer. For example a participant mentions that one of the strategies their distribution firm is taking is to have a minimum activity in manufacturing to make sure they are involved in the respective associations and are entitled to opportunities that may become available for the production sector.

Following the same logic, we have identified some actors the industry that are crucially important in turbulent environment. Actors such as distributors, agents and stock holders

seem to play a very crucial role in supporting businesses as cushions during turbulence. As their resources and energy is not hold into the production or processes, they are more flexible and can therefore focus on gaining intelligence and making sense of the opportunities and threats. Such organisations are defined by participants as flexible, resourceful, alert, informative, well connected and experienced thus have become experts in managing turbulence through acting to mobilise resources in the right time. A purchase manager of a paint manufacturing company who complains about the sudden changes in the import regulations, mentions that they have changed their supply strategy and purchase from local stockists because they can neither afford to invest in information seeking and being alerted about regulation change nor take the risk of going out of stock. Such intermediates are specialized in offering both financial and material slack resources at more affordable price and in timely manner. To him, apart from the mentioned benefits, it is strategically important to deal with them due to the fact that they are connected to everyone, move in the market frequently and they watch the local and international dynamics of the market.

Importance of relationships necessitates the need to understand the dynamics of relationships in terms of how they are chosen, developed and managed. Our data highlights unique characteristics of exchange and capabilities summarized in the following sections.

Dynamics of relationships under turbulence

Contracts have absolutely no place in the turbulent environment. Rules change very fast and drastically therefore the flexibility in accepting changes and incorporating new requirements even when there is no contract clause for it is required. In most of the cases, contracts are very generic, short and avoided, but even when contracts are written, the notes and force major conditions needs to create the flexibility which again means no contract would be comprehensive enough to foresee the possible shifts! One of the sales managers we interviewed says” we have become very smart in reading contracts, we look at a European contract and object a force major condition that we know can be a source of trouble for us, even before anything goes wrong”. Another manager who deals with oil and gas sector in UAE, mentions his worry about short contracts in this part of the world and says, a contract which can be hundreds of pages in US is only 10 in here. This forces him to do a prior homework as to who he is dealing with before he wants to enter the relationship because he knows a contract cannot help his company.

As a general norm, firms seem to have a consensus of what it requires to work under turbulence and pressure of time for action. They seem to be very open to change and they emphasise in doing it sooner than later as resources required for the new conditions may be limited. They naturally expect their suppliers or customers to accept and share the loss, be quick in their strategic shift and act fast to avoid further loss or to make use of the limited opportunities. Another expectation is to understand that due to turbulence, relationships may need to end or become inactive at any point in time and without prior notice. If this happens, no one is blamed for it while there are expectations that partners need to be advised about the situation with honesty and in a timely manner.

The expectations and norms seem to be products of the particular country or industry environment. This fact brings challenges when working with other countries or even the headquarters based in European or US countries. Interviewee’s mention how difficult and time consuming it is for them to negotiate the requirements, explain how important a timely decision (even when it is imperfect) is and how harmful delays in replies and actions can be. In this respect, they have a better understanding with their local suppliers than the

international ones as their norms are the same. In contrary, they sometimes are also able to use this opportunity to obtain benefits such as ‘more stable prices’ or better agreements with overseas suppliers or customers as they are not aware of the local dynamics.

Besides norms and expectations, there are clear differences in relationship lifecycle. After the disruptions hit a firm, there is a need to either negotiate terms with the current partner or to find another one in limited time. Due to this difficulty, intensive episodes of interaction with current partner or immediate search to finding another partner are observed. Naturally a lot of trade-offs and heuristics in making decisions about partners, various mechanisms in developing trust, and executing projects exists under such a time pressure. Due to the nature of such crisis management, even the initial exchanges with the new customer or supplier consists of thick episodes of intensive close cooperation and problem solving.

Main pillars of relationship capabilities

Particular capabilities that has helped businesses manage their relationships in turbulent environments have been identified by analysing our data. Among them is the empathic behaviour in the experiences that participants have had with turbulence and the way relationships have helped them. Partners seem to have a very comprehensive understanding of each other’s’ vulnerabilities, risks and limitations which makes it possible to empathise the crisis the other firm is going through. This leads to going extra miles to help their customer or supplier firm. This is apparent when firms for example help moving goods from one customer to another or bringing emergency stock along with their next consignment. One of the distributors we interviewed mentioned that they feel obliged to help their customers in whichever way they can. To do this they go as far as moving material booked for one customer to the other or splitting quantities to make sure customers’ productions do not stop. Another purchase manager mentioned that he sometimes request their competitors to offer them material on loan basis as both parties know they need such cooperation every now and then. Empathic behaviour seems to be very bold even when the environment necessitates change in relationships such as exiting one relationship and entering another. Participants seems to understand and empathise the change that the environment brings to business needs even if it means their customer shifts from them to another company. What they expect from relationships during this change is the honesty and timely communication.

Communication is the key aspect of relationships in turbulent environments even if they are not exchanging goods. Proactive communication in informing hazards or expected change is highly appreciated by companies as it helps the interpretation, readiness and improves trust. One participant mentions that to him, it is not important what is happening but he needs supplier or customer to communicate what they things about the possible change and how it may influence them. Communication seems to be the key before and after disruption while empathic behaviour helps after the disruption hits. Communication is preferred face to face to ensure the accuracy of information and as time is limited for action. Although this form of communication takes a lot of time and resources, managers seem to travel to meet their supplies, or customers in person spending a lot of time to make sure communication is accurate, timely and detailed enough to enable quick action.

Turbulence necessitates negotiation capabilities with suppliers or customers to make sure the new requirements are understood and the change is planned for. It also seems necessary to negotiate unexpected change in form of flexibility in operations and contracts or terms and conditions of cooperation well before anything happens. Our data indicates that negotiation in turbulent environments takes a continuous or episodic form irrespective of the phase of

relationship. As negotiation requires deep understanding of the position of the partner, firms make sure they are aware of the resources, capabilities, limitations and power of the partners they are dealing with to be able to negotiate when required. Communication and information gathering, and experience of the manager seem to contribute to the success of such pre and post disruption negotiations.

Although disruption brings in threats, it may bring opportunities that businesses may capitalize on. However some of such instances may require them to act unethically by hiding information from their partners. A supplier of chemicals mentions that they have the chance to act opportunistically in a lot of instances when material is short or prices fluctuate but they try to act in an ethical manner. He implies that such critical occasions can be misused but if not, the trust and loyalty that will be created is worth on long run. Misuse of power, to him brings only one time opportunity while being honest will pay back in long run. Another participant acknowledges the fact that anything can happen in the environment they work in but important is to make sure we are honest in explaining the situation to your suppliers or customers. They may come to know the reality later but then they appreciate one's honesty and this increases one's credibility in the market. Early communication and honesty seems to bring in empathic behaviour and cooperation in solving the problem before it leads to chaotic situations. However such honesty may be problematic when dealing with another country as it can result in confusions about what is happening and the reasons behind it; therefore some participants mention that they are careful with being too honest as it may bring more complications in case of overseas relations.

Businesses working under turbulence seem to look at relationships as sources of both opportunity and threat since their vulnerabilities are partly related to their relations. This capability enables them to be encouraged to quickly choose relationships yet monitor their vulnerabilities as they continue working. This is done by frequently imagining worst scenarios of environmental change to evaluate relationship with regards to how they can serve in such scenarios. The role of experience in creating or imagining such scenarios seems to be improved by experience and socializing capabilities. This fact increases the importance of boundary management roles.

The roles of individuals who manage boundaries of the organisation are very bold in the data collected in this research. Such roles need to sense the change, interpret the information they receive and act intuitively. They also should be able to facilitate information flow, business intelligence, visibility of the supply chain besides mobilisation of resources through professional and persona networks. As the information can be provided from various formal and non-formal sources, their relationship competence, emotional intelligence and social capital can help the firm to survive turbulence. In addition, their personal reputation and previous experience in finding solutions to turbulence and showing empathy helps them improve trust in business partners and conduct successful negotiation with stakeholders in the supply chain for the flexibility and resources the firm may require.

DISCUSSION

This research findings confirm relationships as strategic resources that improve resilience in turbulent environments. It highlights the differences in relationship dynamics, characteristics and lifecycle in such environments and uncovers critical capabilities required for managing business relationships in turbulent environments of the less developed economies.

Our findings support the importance of strategic boundary management activities suggested by Lynn(2005) and McCann and Selsky (2012) for turbulent environments. Evaluating and modifying their portfolio of buyers or sellers is an everyday activity for businesses in turbulent environments. They continuously use the comparison level introduced by Thibaut and Kelly (1959) while ensuring flexibility in portfolios. Firms in turbulent environment seem to have experienced that accounts that are not valuable today, may be useful tomorrow and therefore consider current and future value of relationships. This leads to ending up with portfolios with a lot of relationships that are not necessary attractive today but may (or may not) become useful when the environment changes. In choosing their portfolio of relationships, they seem to prioritise accounts that are capable in terms of providing information, flexibility and emergency resources. Other criteria used for choosing relationships is acting in an empathic way and with honesty. The importance of identity and centrality in networks of relationships (Anderson et al., 1998) is supported by our data as firms also try to connect to the relationships that are centrally located such as distributors and traders. Their understanding about the position of other firms, and the change in the networks particularly political networks help them to make sense of possible disruptions they may not be aware of or implications of such disruptions for their firm in terms of opportunities as highlighted by Möller and Halinen (2000). Unique to our data is also that fact that in order to have flexibility and access to information, firms try to be involved in various networks such as production and trading at the same time to access various forms of information and interpretation of change. This creates challenges such as distraction from focusing in their core business yet is necessary for their long term survival.

The relationship lifecycle that seems to be present indicates the various phases identified in the previous works of Ford (1980), Dwyer et al., (1987) and Wilson (1995); however differences exist in characteristics of each phase. Activities such as seeking partners, testing relationships and negotiating are not limited to the initial phases as identified before but are consistent activities due to the high level of uncertainty. However the focus of such activities differ in various stages for example negotiation at the beginning of a relationship is around flexibility while it moves towards prioritisation of resources, acceptance of loss and collaboration in later phases.

In turbulent environments norms, expectations, trust, dependence and commitment do not follow the long evolutionary path as turbulence may change the equations at any point of time. Such environments show similar characteristics to the interimistic relationships that are suggested for technology context (Lambe et al., 2000). Our findings suggest that turbulence as well, forces firms into relationships that may not last but are characterised by intensive exchange to solve problems despite low levels of initial trust. Likewise the expectations and dependence may change as required by the environment. Trust is believed to develop over time and through interaction (Dwyer et al., 1987); however in turbulent environments as the environment keeps changing, there always exist a question of whether the partner is still competent. Following similar path to interimistic relationships (Lambe et al., 2000), the initial trust may exist based on reputation or third party endorsement. If such tools are not present, relationships are evaluated based on heuristics, experience and through extensive communication, stress-testing, visits to ensure the knowledge, experience and resources to manage the unforeseen.

Commitment takes a form different than what is defined in the literature (Ford, 1980), such relationships do not necessarily move towards commitment as external disruptions may make it impossible to be committed but may mean that the party will be given the chance to see if they can satisfy the environment's needs. The commitment is therefore around sharing

relevant information and showing empathy even when switching happens as the result of change in environmental conditions.

Intensive communication within a firm that is faced with turbulence and uncertainty is already discussed within the boundary of the firm (Weick and Sutcliffe, 2007) however our data suggests that open communication, intensive negotiation and problem solving create empathy, initiate support and prioritise resources between businesses. Our findings also highlight importance of regular, face to face and timely interactions to ensure accuracy of communication and development of empathic behaviour. Most of the studies on bargaining and negotiation are limited to the transactional nature relationships or when relationships are in exploration phase (Schurr and Ozanne, 1985, Dwyer et al., 1987); our data however indicates that in turbulent environments intensive negotiation can happen any time or in any phase of relationships due to the change the disruption brings into the relationship equation.

The ending phase of relationships in turbulent environments corresponds to the sleeping mode highlighted by Hadjikhani (1996) for project management, as it rarely takes the usual forms of termination, dissolution, switching or exit (Halinen and Tähtinen, 2002). Such a phase may include intensive and open communication for information exchange and sensemaking, supporting each other as a matter of empathy or third party endorsement until the relationship enters another phase of exchange in goods. This phase could be very important in influential to the relationships irrespective of no exchange in goods.

With regards to the boundary managers, while, similarities with counterparts as identified by Batt and Purchase (2004) seem to enhance business collaborations during and after disruption, our study also supports (Geersbro and Ritter, 2010) who emphasise the role of boundary management in managing uncertainty and ambiguity. Capabilities identified in sales and purchase has been quite similar as they both require internal and external collaboration capabilities in managing portfolios. Their role in enhancing goal congruence, trust and communication between companies corresponds with Wagner and Boutellier (2002). Added to this is the ability to buffer information and manage boundaries strategically as explained by Lynn (2005) despite the need to have open communication during turbulent times. Bonding and bridging capabilities (Granovetter, 1983, Uzzi, 1997), social competence (Baron and Markman, 2003), emotional intelligence (Naudé et al., 2014), and high social capital was found crucial in turbulent environment as well. While our data supports the mentioned capabilities, all of the mentioned capabilities need to become active and efficient under time pressure. In other words, during turbulence, quick identification of the right individuals and companies to provide information and interpretation, approaching the right account, stress testing the relationship and facilitating cooperation is important yet challenging. Such a need for fast action makes the role of boundary managers even more important and unique so it can be claimed confidently that most of resilience required for business rely on the individuals who have the experience and authority to use relationships as resources. In majority of cases, such individuals are highly experienced and familiar with the nature of turbulence authorised and enabled by organisations to take decisions and act fast.

CONCLUSION

This study contributes to the understanding of the role of relationships in the management of turbulence. It unfolds differences in relationship characteristics and how they are developed and managed in turbulent environment of less developed economies. Turbulence in such

environments seem to create time pressure to manage the change which in return influences the dynamics of relationships in terms of how factors such as trust, commitment, communication and dependence forms and develops. It also highlights critical capabilities such as portfolio management, networking, communication, empathising and negotiation with business customers and suppliers to increase chances of survival for firms working in political and economic turbulent environments of less developed economies. Despite the fact that turbulence invites for opportunistic behaviour, firms rely on their capabilities to build reputation of honesty and competence in helping each other during crisis and to manage turbulence. Such dynamics and capabilities influence the successful selection and prioritization of relationships under time pressure and is influenced by personal capabilities, organisational culture and organisational strategy (Lambe et al., 2000).

The firms studied in this research reflect a culture which is characterised by flexibility, honesty, communication, and agility. Besides being flexible in operations, prices, portfolios and solutions, they are able to shift strategies, goals and targets suddenly and use all the resources to take advantage of every opportunity. These organisations seem to be highly capable to making fast decisions, accept and absorb losses and move on to make use of limited opportunities and resource called resource improvisation (Sheth, 2011).

Relationship portfolio diversification appears to be at the hearth of fast decision making and action. A mix of strong and weak bonds plays various roles on adjusting to unexpected environmental changes. Maintaining relationships with parties close to information sources and having suppliers and distributors in different countries reduces the risk of turbulence. Among such actors are institutions that have high level of control over resources in developing economies as suggested by Sheth's (2011). Such continuous evaluation of relationship portfolio with respect to their benefits versus vulnerabilities and threats requires firms to be mindful about their portfolio and change of relationship values as the environment changes.

Boundary managers active in sales and procurement are found to be of key importance under turbulent conditions. Their experience, capabilities, social and professional relations and authority clearly contribute to resilience of the organisation. Other important actors such as distributors, traders, and agents play crucial role in the industry due to their experience, high exposure in the market and financial as well as operational capability. These firms' centrality in their networks on several industries, makes them ideal providers of the right time information about the possible change and its implications.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Future studies may consider longitudinal studies in same environments to explore how firms manage the process of choosing and forming relationships as well as the trade-offs or heuristics used and how portfolios of local and international suppliers or customers are managed under turbulence and over time. Among the various phases of relationships, the final phase where no goods are exchanged but relationships are kept alive seems to be unique to turbulent environments. Although it seems to have some resemblance to sleeping relationships (Hadjikhani, 1996) further studies could possibly highlight what happens during this phase and the influence this phase does on future possible exchange between companies.

A number of studies about cultural differences in relationship management highlight national culture differences such as "Guangxi" or "Et-Moon" (Abosag and Naudé, 2014). While our

data reveals some similarities with Guangxi and Et-Moon, our findings are consistent across different cultures. Our participants as well as the companies chosen in this research were diversified in nationalities yet they have reported similar capabilities and strategies that have helped them survive turbulence. This makes us wonder if a part of what we may have so far referred to as cultural aspects of managing relationships may simply be capabilities that enable firms to survive a particular environment they work in. We therefore encourage further studies that can differentiate between cultural aspect of relationship management and the evolutionary capabilities that are developed as the result of the environment.

Due to expected increase in turbulence in future, businesses will be forced to manage their portfolio of relationships under pressure of time for action. This necessitates future research to explore interimistic relationships, which are characterised by open communication, high levels of collaboration and low level of trust (Lambe et al., 2000). Our study highlights that such relationships seem to exist in economic politic environments however other environments that may enforce time-pressure may show differences. While interimistic form of exchange is suggested for one-time collaboration on projects, our data shows several critical episodes (Schurr et al., 2008) of interactions with interimistic characteristics.

Finally as turbulent environments of less developed economies creates high level of uncertainty and crisis for businesses, we suggest future relationship management studies in turbulent environments to consider the literature in crisis management and high reliability organisations (Weick and Sutcliffe, 2007). Our study conforms partially with this area of research as both reflect the importance of flexibility, mindfulness and action orientation. However, bringing external relationships into the reliable close systems has so far been considered a threat while in our study it supports reliability and resilience of organisations.

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