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Some Essays on Marketing Relationships and Relationship Marketing

By

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Preface

In a way the work presented in this dissertation reflects my own progress in marketing understanding. When I started my career as a product manager of detergents in the late sixties, marketing meant domination; domination of the retailer shelfspace, domination of the consumer shelfspace, and domination of the consumer mindspace. The underlying philosophy of this marketing practice was that as long as you fill up the shelfspace and mindspace, there will be no room left for competitors. In this vein, the key to successful selling was pressure; sell in extra units and stock up the retailer, a practice that was supposed to create incentives for the retailers to get rid of the goods. This was a world far from today's concepts of category and space management, efficient consumer response (ECR), automatic replenishment, or just-in-time delivery.

However, marketing environments have changed since then. For example, in the grocery trade the customer base is reduced from 10,000 independent retailers to four purchasing managers. In many industries there is generally a surplus of supply related to demand. Automated ordering systems have substituted the salesperson's ordertaking function. What happens then to the sales and marketing function? These were some marketing challenges that triggered my interest when I entered the academic world in 1990. Gradually the interest in these questions evolved into research projects and the articles constituting this dissertation.

Sometimes it is surprising which direction life can take. When Fred Selnes, co-author on two of the dissertation studies, convinced me to join Norwegian Institute for Research in Marketing, it was not in my imagination that it could end up with a doctoral dissertation. The task of writing academic articles was a completely new experience and I owe gratitude to many persons for being able to develop that skill. Sincere thanks go to Arne Nygaard (Norwegian School of Management, School of Marketing and former colleague at NiM) who took the role of advisor, guiding me through my first writing attempts (with successful results) in a period when he was occupied with his own dissertation. I owe special thanks to Jan B. Heide (University of Wisconsin/Norwegian School of Management) for introducing me to the theoretical frameworks underlying my research, for being an intellectual

inspiration, for friendship and for valuable assistance on two of the articles in this dissertation. Thanks also go to former NiM colleague, Gabriel Benito (now at Norwegian School of Management) who always has been willing to devote time to my papers and give constructive comments, and for inspiring discussions on almost every subject, to Carl-Arthur Solberg (Norwegian School of Management) for his enthusiasm and willingness to support me in a critical phase, to Kenneth Wathne (Norwegian School of Management/Norwegian Institute for Research in Marketing), co-author of one the dissertation studies and an inspiring and enthusiastic colleague on several research projects, and to Atul Parvatiyar (Emory University, Goizueta Business School), also co-author of one the dissertation studies, for fresh and inspiring ideas and what he generally has done for the relationship marketing discipline through the great Atlanta conferences. My gratitude also goes to Sigurd V. Troye (Norwegian School of Economics and Business Administration) who encouraged me to write this dissertation and who voluntarily has taken the role as advisor to finalize the project. His valuable suggestions and comments are greatly appreciated. My friend and colleague Hans M. Thjømøe (Norwegian School of Management) must not be forgotten. He showed the way, in many meanings of the word, notably by demonstrating that a Ph.D. can be achieved even at a mature age.

Research in relationship marketing starts and ends with practice. The members and funders of Forum for Relationship Marketing (Relasjonsforum) at the Norwegian Institute for Research in Marketing have throughout the period from 1993 till now always been willing to share their experience and discuss their problems freely and openly. Their practical, intellectual, and financial support is gratefully appreciated.

Oslo, March 1999

Harald Biong

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Chapter 1

Introduction

Background

What is marketing? Further, what is relationship marketing? Is relationship marketing simply marketing? What implications will the distinctions have for marketing theory and practice? In his discussion of the nature and scope of marketing, Hunt (1976, p. 25) suggests that marketing can be viewed as "the science of transactions." Bagozzi (1974, 1975; 1978) proposes that marketing should be best understood as exchanges between social actors such as consumers, retailers, salesmen, organizations, or collectivities. However, the transactional and competitive perspective of marketing presented by Hunt and Bagozzi is challenged by Arndt (1979) arguing that exchanges between firms to an increasing degree occur within long-term cooperative relationships. After more than two decades the questions raised by Hunt, Bagozzi, and Arndt are still being debated among academics (e.g., Iacobucci 1994; Selnes and Reve 1994; Blois 1997). This discussion is important because the underlying philosophy of marketing will influence marketing research as well as practice. Nevertheless, the transactional or relational perspectives on marketing may not be mutually excluding. Firms make economic transactions, and they exchange resources. Contingent upon external and internal conditions, the transactions and exchanges are best performed either in a competitive market, within a long-term relationship, or within the firm (Pfeffer and Salancik 1978; Williamson 1985). However, as noted by Webster (1992), until recently marketing theory has been dominated by the transactional perspective. The claim for a paradigm shift has not been without results. In the last decade, research conferences, textbooks, and marketing journals have been dedicated to relationship marketing (e.g., Gummesson 1995; *International Business Review* 1995; *Journal of the Academy of Marketing Science* 1995; McKenna 1991; Sheth and Parvatiyar 1994; Parvatiyar and Sheth 1996). Conceptual, empirical, and managerial articles flourish (Anderson and Narus 1991; Morgan and Hunt 1994; Wilson 1995). Furthermore, attempts have been made to develop separate theories for relationship marketing (Morgan and Hunt 1994) in addition to the application of theories from other research disciplines, like agency theory, relational contracting theory, transaction cost theory, and social exchange theory, to explain the establishment and governance of marketing relationships (Bergen, Dutta, and Walker 1992; Dwyer, Schurr, and Oh 1987; Heide 1994).

In spite of the considerable attention relationship marketing and marketing relationships have received both from researchers and practising managers, most research has been conducted at an organizational level with little consideration of specific marketing functions and activities. Unfortunately, empirical evidence regarding the structure and consequences of relationship forms is still quite scarce. For example, by which specific processes are interfirm relationships established and managed? What are the consequences for the marketing function? Arndt (1979) and Stidsen (1979), argue that the relational approach to marketing would necessitate refocusing and upgrading of the personal selling function towards the political and strategic aspects of the function. Building on Arndt's work, Webster (1992) suggests that marketing management in general should emphasize interorganizational relationships and look at people, processes, and organizations in addition to products, prices, firms, and transaction as the units of analysis.

The general attention which buyer-seller relationships have received from academics and practising managers, the questions raised by scholars such as Arndt (1979) and Webster (1992), and also the scarcity of empirical evidence of consequences commented on above inspired the research questions for the studies presented in this dissertation: What is the effect of the traditional marketing variables such as product, price and sales when they are located within a marketing relationship? What is the role of the salesperson in a marketing relationship? What are the processes by which inter-firm relationships are established and managed? Under which conditions do particular behaviors have consequences for a relationship? However, scepticism about the impression of the universal benefits of relationships is emerging among academics (Blois 1997; Han, Wilson, and Dant 1993; Håkansson and Snehota 1995) and practitioners, raising the last research question: What are the impediments to firms engaging in interfirm relationships?

In this dissertation four aspects of relationship marketing are presented, based on three separate studies, one in a marketing channels context and the others in a professional buyer-supplier context. Admittedly, it has been a challenge to present them in a unifying framework. In order to do so, the balance of this dissertation will be organized in the following fashion. In the remainder of the introductory chapter a short discussion on marketing relationships and relationship marketing will be given. Thereafter some empirical insights from research on Norwegian marketing relationships will be presented. The introductory chapter concludes with the objectives and scope of the study, research questions and a framework for the studies and a brief outline and summary of the studies. The four research studies that form the body of the dissertation are presented in chapters 2, 3, 4, and 5, while chapter 6 summarizes the main findings, discusses the contributions of the findings and the limitations of the research. Thereafter, some theoretical, metatheoretical, methodological, strategic, and ethical issues on these studies in particular and on interorganizational research in general are discussed and the dissertation closes with some suggestions for future research.

Marketing Relationships and Relationship Marketing

Marketing Relationships

Despite the great attention from academics and practising managers it is interesting to note that it is still unclear what a marketing relationship is and when it is appropriate (Blois 1997). Several marketing scholars have discussed a continuum of working relationships along which industries fall (e.g., Anderson and Narus 1991; Jackson 1985a; Webster 1992). At the one end are the purely transactional relationships, where the customer and the supplier focus upon a timely exchange of basic products or services for highly competitive prices. At the other end are collaborative relationships, partnerships, or even vertical integration of the business transactions. Following this categorization, at the transactional end of the scale the transactions are coordinated mostly by the price mechanism, being increasingly substituted by hierarchical and contractual governance mechanisms at the other end of the scale. Additionally, some of the literature may give the impression that relationships naturally evolve through different stages from a distant, arm's-length relationship to a committed and highly collaborative one (e.g., Dwyer, Schurr, and Oh 1987). Other marketing scholars, however, view nonmarket governance, or relationships, as heterogeneous and distinct forms for organizing business transactions (Blois 1997; Heide 1994). Recognizing that interfirm relationships exist in different forms with different degrees of closeness and commitment, it still can be asked why this variety of relational forms exists.

A general answer can be derived from the assumption that firms are driven by considarations of both efficiency and effectiveness. Choice of relational form then represents an adequate organizational response to the achievements of efficiency and effectiveness. For example, theoretical and empirical research suggests that competitive arrangements with a low degree of cooperation occur when standardized items are exchanged, while the exchange of highly specialized items for which few alternatives exist, supported by specialized investments when uncertainty is high are usually organized within collaborative, long-term relationships (Biong, Lostad, and Wathne 1996; Noordewier, John, and Nevin 1990; Pfeffer and Salancik 1978; Williamson 1985). Summing up this discussion, the move from short-term market transactions to the establishment of long-term marketing relationships represents a move from a competitive to a cooperative strategy on a series of dimensions (Sheth and Parvatiyar 1995).

Relationship Marketing

What is the role of marketing in the formation of marketing relationships? The acknowledgment that firms engage in various kinds of relationships and that business exchanges are performed within those relationships has given birth to the concept of relationship marketing. As discussed above, marketing relationships are heterogeneous phenomena, and it may not be surprising that the notion of relationship marketing is not clear either. A simplistic view is that relationship marketing has as its aim "the dual focus of getting and keeping customers" (Christopher, Payne, and Ballantyne 1991, p. 4). From the service field relationship marketing has been defined as "attracting, maintaining and - in multi-service organizations - enhancing customer relationships" (Berry 1995, p. 236). In industrial marketing, Jackson (1985b, p. 2) refers to relationship marketing as "marketing oriented toward strong, lasting relationships with individual customers." Morgan and Hunt (1994, p. 22) broaden the concept to encompass relationships with all partners exchanging resources and propose that "relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges." This definition has been criticized by Peterson (1995) as too broad. Instead, Peterson (1995, p. 279) suggests that a definition of relationship marketing should "... stress the development, maintenance, and even dissolution of relationships between marketing entities, such as firms and consumers." This definition parallels Heide's (1994) conceptualization of interorganizational governance: "Governance is a multidimensional phenomenon, encompassing the initiation, termination and ongoing relationship maintenance between a set of parties." Heide (1994) also notes that governance includes elements of establishing and structuring exchange relationships, as well as aspects of monitoring and enforcement. A synthesis that can be drawn from the various conceptualizations of relationship marketing is that the relationship is the focus of the marketer's efforts, and exchanges can be regarded as episodes in the overarching relationships. However, as relationships can fall within categories from repeated transactions to strategic alliances (Webster 1992), the efforts of relationship marketing can be directed towards securing repurchase or renewal of purchasing agreements at one end of the scale, or to stimulating collaboration between the buyers and suppliers on a series of dimensions at the other end. Stated otherwise, relationship marketing refers to activities marketers do to promote cooperation between seller and buyer, including establishing, maintaining and enhancing the relationship.

Why is cooperation between buyers and sellers important? Sheth and Parvatiyar (1995) note that one axiom of transactional marketing is the belief that competition and self-interest are the drivers of value creation. Through competition, buyers can be offered a choice, and this choice of suppliers motivates marketers to create a higher value offering in their own self interest. The second axiom of transaction marketing, according to Sheth and Parvatiyar (1995), is the belief that independence of choice among marketing actors creates a more efficient system for creating and distributing marketing value. However, bidding and bargaining to obtain efficiency through the lowest price incur transaction costs in search, evaluation, and negotiation which might lead to inefficiencies (Coase 1937; Williamson 1985). In contrast, the proponents of relationship marketing assume that marketing efficiency and effectiveness is better achieved by cooperation and interdependence between the parties, rather than by competition and independence (Sheth and Parvatiyar 1995).

However, cooperation is not unproblematic. For example, the firm increases its dependence on another firm because it no longer controls important resources. Furthermore, problems of ensuring fulfillment of relational obligations from the partner may arise. Therefore, enhancing long-term orientation and commitment from the selected partner will be an important marketing task. Hence, selection of an appropriate partner is critical for the marketer, as well as designing apt means and processes for governance and control of the collaborative processes. A final challenge in relational cooperation is measurement of performance. In a transaction oriented relationship performance is short-term and tied to the output of the transaction. In contrast, performance in cooperative relationships is long-term, tied to the display of system-relevant attitudes and more difficult to measure (Heide 1994).

The four aspects discussed in this dissertation, based on studies of Norwegian buyer-supplier relationships, thus represent some of the perspectives that research on marketing relationships and relationship marketing could encompass. While three of the studies are of a quantitative nature presenting tests of hypotheses, the fourth is of a qualitative and explorative kind, deriving propositions for further testing. Throughout the dissertation the focus is on relationships between professional buyers and sellers. The studies address issues that have not been fully explored in previous research, namely: what is the role of the salesperson as a relationship manager in established, long-term relationships? Which behaviors and skills promote or hamper cooperative behavior between the relational parties? How should salesperson performance be measured? How is salesperson performance mediated and moderated by other functions of the selling company? Are some behaviors of the salesperson universally positive or negative or are they contingent upon the dependency structure that characterizes the relationship? Finally, what impediments related to the characteristics of the buyer-supplier relationship, relational benefits, the supplier, the customer, or the environment prevent companies from engaging in partnering relationships? The dissertation explores these issues using insights from several theoretical perspectives, including power-dependence theory, social exchange theory, relational contracting, transaction cost economics and agency theory, as well as from the sales management and marketing channels literature. However, before delineating the research problems in greater detail, a brief overview of some experiences from Norwegian buyer-supplier relationships will be given as an introduction to the empirical context to be studied. A brief presentation of the studies closes this chapter.

Empirical Insights from Marketing Relationships in Norway

Despite the vast literature on marketing relationships and similar organizational forms like partnerships and alliances, little factual information describing them has been reported. For example, the long-term duration is argued to be an important feature of relationships, but their actual lengths are not specified. A further question is whether the duration will differ between products and industries. The evolution towards single sourcing is another tendency reported by the literature, and single sourcing vs. multisourcing is regarded as a major difference between cooperative and competitive strategies. How is this tendency reflected in the behavior of Norwegian companies? As noted above, marketing relationships are driven by efficiency and effectiveness considerations, so what are their main purposes? This information cannot be found in official statistics and is seldom reported in other studies either. Therefore some empirical evidence from Norwegian studies is reported to provide some insights.

With respect to the duration of marketing relationships, results from two studies are presented. The first is a study of industrial buyer-seller relationships from 1993 and the second is data from the Norwegian Customer Satisfaction Barometer on business-to-business relationships from 1996/97.

Table 1.1: Duration of Norwegian buyer-supplier relationships within some industries

	Kind of supplier					
How long has this relationship been going on?	Packaging[1] 1993	Components[1] 1993	Accessories[1] 1993	Commercial banking[2] 1996/97	Information Technology[2] 1996/97	Industrial components[2] 1996/97
Up to 5 years	35%	33%	66%	30%	61%	33%
6-10 years	29%	29%	22%	26%	27%	32%
11-20 years	23%	27%	9%	23%	9%	25%
More than 20 years	13%	10%	3%	21%	3%	10%
Total	100%	99%	100%	100%	100%	100%
Mean	12 years	12 years	6 years	16 years	6 years	11 years
n	126	126	126	391	476	325

1 = Biong 1993 2 = Norwegian Customer Satisfaction Barometer 1996/97

It should be noted that what is reported is the duration of the relationships at the moment of measurement, not the total lifetime of the relationships. However, the table indicates some similarities between the two studies and differences between industries. For example, banking relationships seem to be of a longer duration than relationships with other kinds of suppliers. It is also interesting to note the similarity of patterns of duration between suppliers of packaging, components, and commercial banking in the two studies. About 1/3 of the relationships with these supplier types were reported to be established in the last five years, while somewhat above 1/3 were reported to have lasted more than 10 years. In contrast, the relationships with suppliers of accessories and IT were reported to be more short term with an average duration of 6 years, and with about 2/3 having lasted no longer than five years. In spite of the apparently similar patterns between IT and accessories, the underlying explanations for the more short-term nature of these relationships might be different. Accessories, for example, are mainly standardized items with little need for adaptation for the buyer-seller exchanges to be efficient. The relationships should therefore be near the "always-a-share" end of the scale (Jackson 1985) with a transaction oriented focus. IT, on the other hand, is a new, dynamic and rather technology-driven industry. Most suppliers are young firms and the technology is still developing at a fast rate. Taken together, these forces might act as disincentives to form long-term relationships, as discussed in chapter 5. The large proportion of rather newly-established relationships might be an indicator of the immaturity of this supplier industry.

Another aspect of cooperative marketing relationships is the move towards single sourcing arrangements. The results from 1993 and 1996/97, presented in Table 1.2, give some background for reflections on this point.

Table 1.2: Overview over number of suppliers in some supplier industries

	Kind of supplier					
Number of suppliers used	Packaging[1] 1993	Components[1] 1993	Accessories[1] 1993	Commercial banking[2] 1996/97	Information Technology[2] 1996/97	Industrial components[2] 1996/97
1 supplier	36%	32%	25%	39%	25%	57%
2 suppliers	46%	34%	50%	32%	27%	28%
3 suppliers	10%	12%	16%	16%	25%	10%
4 or more suppliers	8%	22%	9%	13%	23%	5%
Total	100%	99%	100%	100%	100%	100%
Mean	n.a.	n.a	n.a	2,1 suppliers	2,7 suppliers	1,8 suppliers
n	126	126	126	391	458	335

1 = Biong 1993 2 = Norwegian Customer Satisfaction Barometer 1996/97

In 1993 about one third of the purchasers reported single sourcing arrangements with packaging and component suppliers compared with 1/4 of the purchasers of accessories. The proportion of companies using three or more suppliers were 18%, 34%, and 25% for packaging, components, and accessories respectively. Although not completely comparable, the proportion of reported single sourcing arrangements for industrial components in the 1996/97 survey amounted to 57%, while 15% used three or more suppliers. Customers of commercial banking services used two banks on average, 39% used one bank, while 29% used three banks or more. Noteworthy also is the average of nearly three IT-suppliers, and the fact that almost 50% of the customers reported using three or more IT-suppliers compared with 25% using only one supplier for this kind of product and services. One might speculate about the varying buying behavior for IT products and services. An explanation might be that different suppliers are used for different purposes. Another explanation might be that companies do not perceive benefits to arise from concentrating their purchases, but prefer competitive buying behavior to obtain low costs and flexibility.

As noted previously, marketing relationships are established for reasons of efficiency and effectiveness (Sheth and Parvatiyar 1995). Since marketers and purchasers might have different opinions on the purposes of forming relationships, the Norwegian Customer Satisfaction studies from 1996/97 and 1997/98 give some insight to the marketer from the perspective of the buyer.

Table 1.3: Proportion of long-term relationships where the purposes are very important issues.

The purpose of the relationship is very important to achieve	1996/97	1997/98
Efficiency		
Reduction of operating costs	51%	64%
Reduction of invoice costs/unit costs	59%	60%
Reduction of transaction costs	39%	47%
Sharing development costs	17%	n.a.
Financial effectiveness		
Improved cash flow	39%	52%
Achievement of better prices [for customer's products/services]	n.a.	36%
Increased revenues [for the customer]	35%	32%
Improved profitability	57%	n.a.
Reduction of uncertainty of [customer's] revenues	24%	n.a.
Non-financial effectiveness		
Reduction of uncertainty by acquisition of this kind of product/services (improved control...)	47%	48%
Improvement of [customer's] reputation	31%	36%
Development of specific resources	38%	35%
Social rewards	12%	12%
Access to the supplier's specific resources	62%	n.a.
Improved quality of [customer's] products/services	56%	n.a.
Improved [customer] competitiveness	49%	n.a.

n ≈ 850 (1997/98)

When reading the tables a precautionary note should be observed. Both samples are long-term buyer seller relationships, but some industry biases might occur when comparing the results. Furthermore, the scale applied in 1996/97 is anchored by 1 and 10 (a ten point scale), while the 1997/98 scale is anchored by 0 and 10 (an eleven point scale). For both surveys the proportion answering 8, 9, or 10 has been extracted and summed. Not surprisingly, efficiency and cost reductions are reported to be a main cooperative purpose in both surveys, with reduction of operating costs and unit costs as most important. Improving cash flow seems to be an important financial effectiveness purpose for half the sample in the 1996/97 survey, while about 1/3 of the informants perceived that suppliers could contribute to better prices and increased sales for the purchasing company's products. Noteworthy also is the emphasis on access to the supplier's specific resources and quality considerations in the 1996/97 survey. Unfortunately, these questions were not asked in the 1997/98 survey. As resource dependence theory predicts, control and reduction of uncertainty of acquisition is important to nearly half of the sample in both surveys, as also are positive effects on reputation and resource development, which are reported to be important reasons for cooperation by 1/3 of the informants. The reported results suggest that considerations of both efficiency and effectiveness are important for engaging in long-term relationships with suppliers, and the results give some insights into various dimensions of these factors. In contrast, effectiveness considerations were the dominant cooperative motivation in a study of industrial alliances reported by Haugland (1996). From this study the most reported important reasons for cooperation were access to new markets (50%), a better product offering (44%), and access to technology/competence (39%), while reduction of production cost was a motivation in 21% of the alliances. It should be mentioned that Haugland (1996) explicitly studied strategic alliances comprising both vertical and horizontal collaborative arrangements.

Taken together, some insights from the research presented can be summed up. First, how long is a long-term relationship? The results suggest that the duration of buyer-supplier relationships varies by product and supplier category. In supplier categories such as industrial components, packaging and commercial banking, about 2/3 of the relationships had a duration of 6 years or more, with an average of 11 to 12 years for components and packaging and 16 years for banking. In contrast, about 2/3 of the relationships with suppliers of IT and accessories had a duration of less than 6 years, averaging 6 years for both categories. Second, the practice of single sourcing, an indicator of collaborative supplier strategies, is apparently more common for selected suppliers of industrial components than for other supplier categories. However, dual sourcing arrangements account for 71% percent of the relationships in commercial banking, 75% of the relationships with suppliers of accessories and 52% of the IT-supplier relationships. Furthermore, it could be interesting to note, and to reflect on, the rather widespread occurrence of multisourcing arrangements with the still technology driven IT-suppliers. Third, the results from the Norwegian Customer Satisfaction Barometer studies in 1996/97 and 1997/98 underscore the conclusion that long-term buyer-supplier relationships are driven both by efficiency and effectiveness considerations. However, it might be interesting to note that effectiveness purposes, like access to the supplier's specific resources and improvement of the customer's products and services, seem to be regarded as almost as important as cost reductions.

Objective and Scope of the Studies

The overall objective of the dissertation is to advance current knowledge about relationship formation and relationship management. More specifically, the research aims at identifying specific processes by which inter-firm relationships are established and managed, as well as factors serving as impediments to establishing cooperative interfirm relationships. In addition, contrary to much existing work which views relationship behaviors as either universally desirable or undesirable, the research has also begun to explore the relevant contingency factors, i.e. the conditions under which particular behaviors have consequences for the relationship.

While the studies in chapters 2, 3, and 4 are rooted in the behavioral framework of interfirm relationship governance, the explorative oriented study in chapter 5 blends behavioral and microeconomic perspectives on relationship formation. As such, this study could be categorized within the original IMP-tradition[1]. Moreover, the dissertation bridges the unilateral 4Ps (price, product, place, and promotion) marketing mix framework in a relational context in chapter 2, and the political marketing role in domesticated markets as discussed by Arndt (1979) in chapters 3 and 4.

Another objective of the dissertation is to contribute to current knowledge about how the marketing function in general, and the personal selling function in particular, are affected by

[1] IMP is an abbreviation for the Industrial Marketing and Purchasing Project Group. The original IMP group started September 1976 as a collaboration between researchers in France, Italy, Sweden, West Germany, and Great Britain. The intention of the project group was to challenge existing theory on the functioning of business markets. After research on industrial marketing and purchasing problems was carried out in five European countries, some of the experiences were published in the book *Industrial Marketing of Goods* (1982), edited by Håkan Håkansson, presenting a new approach to industrial marketing and purchasing (p. ix). As noted by Håkansson (1982, p. 1) the emphasis on buyer-seller relationships, interactions, stability of industrial marketing structures, and the similarity of buyer and seller tasks, challenged the prevailing marketing perspectives of discrete transactions, marketing mix manipulations, atomistic market structures, and separation of buyer and seller tasks. The original IMP work presented an alternative theoretical framework drawing on both economic and behavioral paradigms, as well as being highly empirical.

and affect the processes of interfirm relationship formation and management. In spite of the substantial research on interfirm relationships, surprisingly little has been done with respect to the boundary spanner's role in a relational context. Exceptions are the studies of Crosby and Stephens (1987), Crosby, Evans, and Cowles (1990), and Lagace, Dahlstrom, and Gassenheimer (1991). As Arndt (1979) and Stidsen (1979) suggest, the relational approach to marketing would necessitate a reemphasis and upgrading of the personal selling function towards the political and strategic aspects of the function. Hopefully, the dissertation contributes to filling this void in the literature.

Research Questions and Framework for the Studies

This dissertation focuses on three particular aspects of relationship marketing:

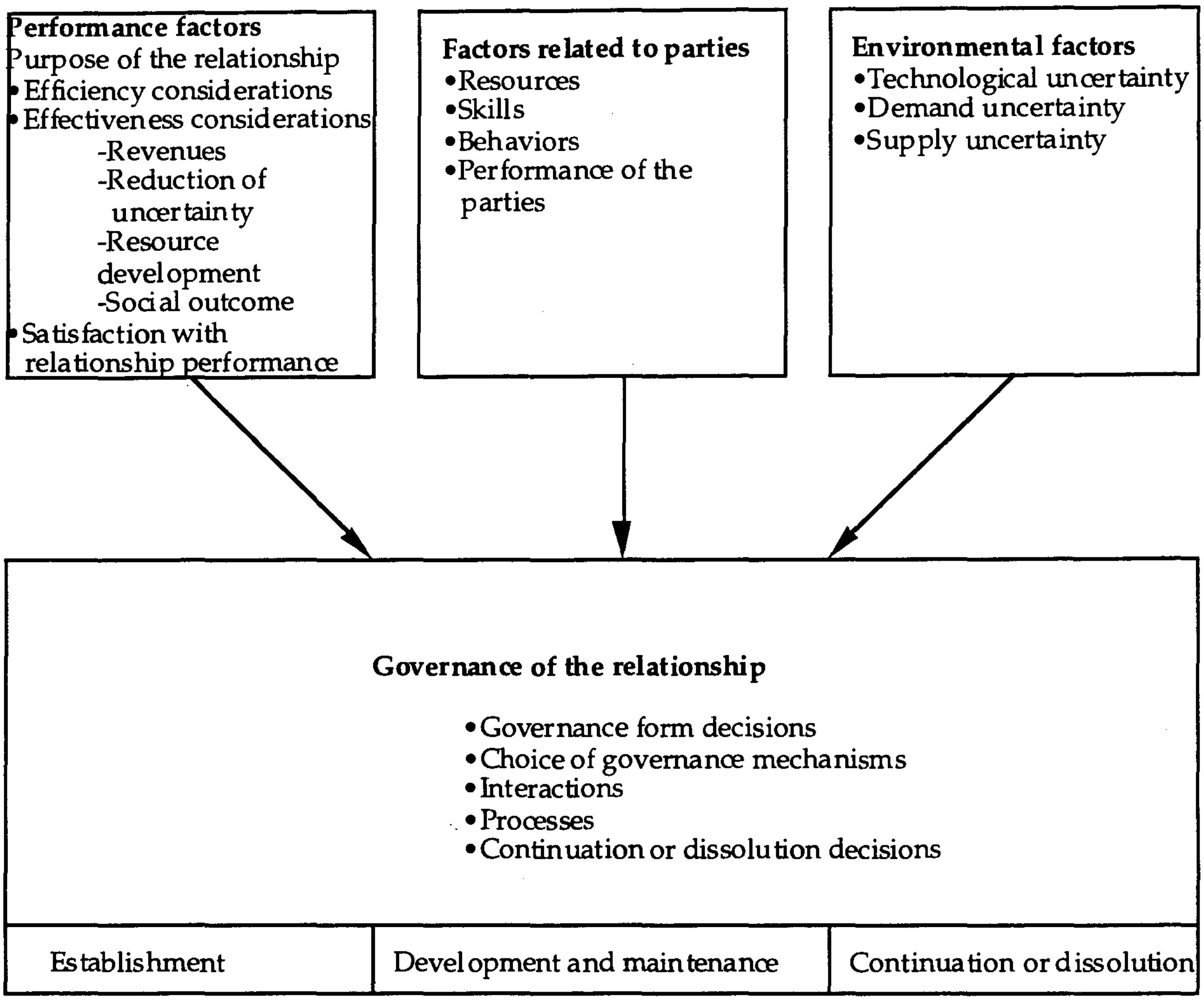
i) The effect of the traditional marketing mix instruments on interfirm cooperative behavior: the specific research question that will be examined is how the supplier's use of the marketing mix variables (salesforce, product, profitability) affects the retailer's satisfaction with and loyalty to the supplier in a marketing channel relationship.

ii) The effect of the formation of long-term buyer-seller relationships on the role of the salesperson. Specifically, four issues related to the role of the salesperson in established industrial buyer-seller relationships will be examined: (1) the appropriate measures of salesperson performance within a relationship, (2) behaviors and skills affecting salesperson performance, (3) the role of the salesperson as a manager of internal as well as of external relationships, and (4) the relational contingency effects of salesperson management behavior, i.e. under which conditions will particular management behaviors have consequences for a relationship?

iii) The formation of inter-firm cooperative marketing relationships: if long-term relationships and partnerships are beneficial, why do firms still resist engaging in such arrangements? What factors serve as disincentives for establishing cooperative inter-firm relationships?

The research questions investigated in this dissertation are "tied" together so that taken together they constitute a "life cycle" view of relationship marketing. The structure of the dissertation can be illustrated as in Figure 1.1.

Figure 1.1: Framework of the studies



The studies examine why firms still resist engaging in interfirm, cooperative relationships (chapter 5), investigate the effect of governance mechanisms from a power-dependence perspective (chapter 2), and finally explore further the role of personal selling and management of governance processes (chapters 3 and 4). With the exception of chapter 5, where the establishment of the cooperative relationship is the dependent variable, the dependent variable of the studies is the buyer's continuity intentions as a measure of successful relationship management. As such, the dissertation identifies the specific processes by which relationships are established and managed and also explores the political aspect of personal selling in marketing relationships as suggested by Arndt (1979).

Outline and Brief Summary of the Studies

The dissertation is composed of four chapters, previously published as articles, based on three individual studies. One study examines the effect of traditional marketing variables such as product, profitability (price), personal selling (promotion), and promotional support in a relational marketing channel context. Then follow two chapters that further explore the role of the personal selling function in established industrial buyer-seller relationships. One chapter examines the salesperson's role as a manager of internal as well as of external relationships. The other chapter provides a more in-depth investigation of main and contingent effects of specific salesperson behaviors on the relationship. Finally, a study of a qualitative nature, explores why some companies resist or hesitate to engage in close interfirm relationships.

Chapter 2 - Satisfaction and Loyalty to Suppliers within the Grocery Trade

The basic aim of this chapter is to investigate how some traditional marketing variables affect both perceived performance of the supplier, and the trade's intention of future cooperative behavior. The rationale for the study is the retailer concentration taking place in Norway as well as in most other Western countries, shifting power from suppliers to retailers. At the time of the study, eight retailing purchasing groups controlled 94% of the turnover within the Norwegian grocery trade, while in 1998 four groups controlled 99% of the sales through grocery outlets. The shift of power has severe consequences for suppliers (supplier in this context supplier means producer or importer, not wholesaler). First, access to the market is restricted and no longer unquestionably available to suppliers. For example, suppliers, notably the weaker ones, are exposed to the threat of being thrown out of retail chain outlets, meaning a loss of sales between 10% to 30% almost overnight (*Dagens Næringsliv*). Second, the introduction of the trade's private labels is increasing, exposing suppliers to competition from their distributors. On the other hand, the remaining suppliers are left an opportunity to capture volume, alone or in competition with private labels. Thus, relationships with the trade should matter to the supplier. Without a relationship, there will be no sales, so relationship maintenance becomes a marketing objective in its own right. The study examines how the supplier's marketing mix variables, salesforce (promotion), product, profitability (price), and marketing support (promotion), affect the perceived performance of the supplier measured by satisfaction and thereby willingness to continue the relationship (loyalty). As such, the paper links the 4P tradition of marketing to relationship marketing by relating three marketing mix variables to relational performance, i.e. satisfaction and loyalty, in a channel (place) context. However, the independent variables in the research are studied in a power-dependence framework. While the original power-dependence framework built on the assumption of a dominant part, the "channel captain," usually the supplier, coordinating the channel activities by exercising coercive and non-coercive power in order to support the captain's strategy, the perspective of this study is somewhat different. Since the supplier no longer can be viewed as the more powerful party, the supplier's sources of power, operationalized through the marketing tools, can be applied also to act in the interests of the retailer. The hypotheses were tested on a sample of 347 grocery retailers. The statistical results show that satisfaction is mainly affected by the salesforce through interpersonal relations, communication, co-operativeness and promotional activities in the outlets. While satisfaction is one determinant of loyalty, loyalty is also affected by determinants signaling dependency, sources of power, and stakes in the relationship. Examples are quality products, a unique product line, product profitability, and a professional salesforce.

Chapter 3 - The Strategic Role of the Salesperson in Established Buyer-Seller Relationships

The second study focuses on the salesperson's relationship manager role in established buyer-seller relationships. Practising managers are questioning the necessity of the suppliers' salesforce both in marketing channels and industrial buyer-seller relationships (e.g. *Dagens Næringsliv* 21.8.98). The retailers' argument is based on the transaction cost perspective of increasing efficiency and control by integrating the suppliers' salesfunction rather than relying on external parties. In industrial buyer-seller relationships efficiency considerations also prevail when the ordering function is taken over by automated, administrative arrangements and sales are regulated by long-term contracts within single or dual sourcing arrangements. The results from the previous study, presented in chapter 2, do not indicate that the supplier's salesforce is obsolete, but that the selling role is in transition from that of being a seller to that of being a consultant, indicating the significance of interpersonal relations, communication and cooperativeness. These factors are explored further in the second study presented in chapter 3 of the dissertation. The main premise is that the role of the salesperson in established buyer-seller relationships should be that of a manager of internal and external relationships rather than a seller. As such, the efforts of the salesperson should be directed towards managing the relational processes. In the study three issues related to the relationship manager role are examined: (1) appropriate measures of salesperson performance within an established relationship, (2) behaviors and skills affecting salesperson performance as a relationship manager, and (3) the effect of salesperson performance on the relationship. It is proposed that aspects of salesperson performance should be relationship maintenance and reinforcement. Furthermore, it is hypothesized that information exchange, personal relationship, conflict resolution, and customer knowledge will have a positive influence on salesperson performance, while the effect of aggressive sales influence will be negative. These hypotheses were tested on a sample of 279 industrial buyer-supplier relationships. The results suggested that the salesperson had a significant and substantial effect on relationship continuity. They also showed that the salesperson contributes to perceptions of the supplier's reliability and supplier services. The key attributes of an effective salesperson were ability to resolve conflicts, ability to develop a personal relationship with customers, and ability to facilitate exchange of information between the supplier and buyer firm. The hypothesized negative effect of aggressive sales influence on salesperson performance was not supported, but the statistical analyses suggested a direct, negative effect on continuity. Furthermore, the results suggested that the salesperson performance measure could be improved. Overall, the results indicated that the proposed behaviors and skills variables might affect the relationship, even if they were not mediated by the salesperson performance measure applied in the study.

As the marketing function in general, and the sales function in particular could be affected by the nature of the relationship (Jackson 1985b), one direction proposed for further research is how dependency in the relationship would influence salesperson behavior (Bonoma 1976; Weitz 1981). This direction is further explored in chapter 4.

Chapter 4 - Relational Selling Behavior and Skills in Long-term Industrial Buyer-Seller Relationships

The third study in the dissertation looks further into the relationship management behaviors and skills of the salesperson and how these behaviors and skills affect and are affected by the buyer-supplier relationship. Thus the study explores further one of the research directions pointed out in chapter 3. In contrast with much of the literature on relationship formation and relationship marketing which apparently suggests that some behaviors and skills are universally positive or negative, the basic proposition of chapter 4 is that salesperson behaviors and skills would have different effects under different relational conditions. This assumption is inspired by the contingency framework for investigating the effectiveness of sales behaviors across sales interactions proposed by Weitz (1981). In Weitz' framework effectiveness of sales behaviors is posited to be moderated by (a) the salesperson's resources, (b) the nature of the customer's buying task, (c) the customer-salesperson relationship and interactions between (a), (b), and (c). To test the whole model in a single study would be too comprehensive. The behaviors and skills derived from the literature and qualitative research and used in the study were communication, conflict handling, personal similarity, sales aggressiveness, and control, while the moderating relational condition examined is degree of dependence on the supplier. The hypotheses were tested in a sample of 294 industrial buyer- supplier relationships. Four of the five hypothesized main effects were confirmed. The results also suggested that salesperson behaviors do have a significant and substantial effect on relationship continuity. Communication, personal similarity, and conflict handling were all positive, while aggressive sales influence had the expected negative effect. However, only two of the five interaction effects were significant. First, as posited, personal similarity became less important as dependence on the supplier increased. Second, aggressiveness had a less negative effect as the degree of dependence increased, contrary to the initial expectation.

Chapter 5 - Why Do Some Companies not Want to Engage in Partnering Relationships?

While the first three studies investigate various aspects of interfirm cooperation and relationship management, the last study in the dissertation examines the factors which serve as impediments to establishing cooperative inter-firm relationships. In contrast with the previous studies, which all used a quantitative research method, this study uses a qualitative and explorative method. Over the last decade, there has been growing evidence that to be competitive, manufacturing firms are moving from a traditional approach of adversarial relationships with a multitude of suppliers to forging longer term relationships with a few selected suppliers. Although the literature demonstrates positive effects for both suppliers and buyers from engaging in close relationships and partnerships, academics are beginning to question whether relationships always bring benefits to the relational parties. Furthermore, practitioners also report reluctance on the part of customers and suppliers to engage in partnering relationships. Since companies invest considerable resources in establishing, managing, and governing partnering relationships, it is worthwhile investigating why some companies do not want to engage in such arrangements. Because the purpose of the study is theory construction and the generation of propositions for further research, it was important to tap a wide range of experiences and perspectives in the course of data collection. Thus a grounded theory approach to why business customers do not want to engage in a partnering relationships was introduced. The sample consisted of leading Norwegian suppliers in five industries and two of each supplier's most important customers, a total of fifteen interviews. Suppliers from various product and service industries were selected to avoid industry-specific bias. Each interview was audiotaped unless the informants requested otherwise. After having been fully transcribed from the tape, each interview was subjected to content analysis using computer-aided processes. The content analysis of the interviews revealed five reasons why companies would resist or not engage in partnering arrangements: (1) fear of dependency, (2) lack of perceived value in the relationship, (3) lack of credibility of partners, (4) lack of relational orientation in the buying company, and (5) rapid technological changes. Thus impediments to engaging in close relationships can be related to considerations of efficiency and effectiveness for such arrangements, the contribution of the partner, company policies, and industry characteristics.

After the four studies, a final chapter follows in which the main findings are summarized and discussed. This chapter also contains a discussion of the contributions of the findings and of the limitations of the research. Some theoretical, metatheoretical, methodological, strategic, and ethical issues raised by these studies in particular and by interorganizational research in general are discussed before some suggestions for future research conclude the dissertation.

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Chapter 2

Satisfaction and Loyalty to Suppliers within the Grocery Trade[*)]

Abstract

Key words: Distribution channels, Norway, relationship marketing, sales force

Increased concentration within the retail trade may have great, negative consequences for a supplier if their relationship to a chain dissolves. The objective of this study is to develop an understanding of the way the supplier's use of the marketing mix components (salesforce, product, profitability and marketing support) affects the satisfaction and loyalty of the retailers. The study assesses this relationship by drawing upon relationship formation within a channel of distribution theory, and by empirical testing, using multiple regression analysis, on a sample of Norwegian supermarkets. The results indicate that satisfaction and loyalty are influenced differently by the marketing mix components. Satisfaction is found to be associated mainly with factors representing cooperativeness and interpersonal contact, while loyalty is associated with elements expressing dependency, sources of power and stakes in the relationship.

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Introduction

By drawing upon relationship development and power and dependence theory within distribution channels, the purpose of this study is to give an understanding of the way the supplier's use of the marketing mix components (salesforce, product, profitability and marketing support) affect the satisfaction and loyalty of the retailers.

The concentration within the Norwegian grocery business has been steadily increasing. As an illustration, the eight largest groups of retailers in 1987 had a market share of 44 per cent. In 1991 their share was 94 per cent (Source: Andhøy). The consequence is a relative small number of decision makers controlling an increasing share of the total grocery sales. With reference to the association of grocery suppliers, many chains intend to reduce the number of product varieties. This trend of trade concentration has lead suppliers to fear further pressure on prices as well as restricted possibilities of marketing their spectra of products [1]. Admission to the market thus might be a critical factor with consequences for the market share [2]. However, for the distributors it is important to stock the products and brands demanded by the consumers, in order to attract customers to the outlets [3]. The relationship between the suppliers and the distributors, therefore, is characterized by mutual dependence and conflict of interests at the same time [3].

The cooperation between the supplier and the chain is regulated by a contract which is negotiated each year. As the continuation or dissolution of the contract may have great consequences for the supplier, it can be assumed that the continuation of the agreement with acceptable conditions could be an important marketing objective. Therefore, the marketing activities directed towards the trade should be expected to be better represented by relationship marketing than transaction marketing [4,5,6,7].

From the supplier's perspective it should be of importance to gain insights into how retailers assess the working relationship [8], and how their use of marketing mix components may influence the loyalty of the retailers as expressed by the retailers' "motivational investment" in the relationship [9].

Loyalty

Loyalty is a focal point in a long term relationship [5], implying both a favourable attitude and customer retention [10]. As virtually all companies depend on repeat business [10], the antecedents for customer loyalty, therefore, should be of concern to the marketer. In the marketing literature, loyalty is a notion with various definitions. Source loyalty has been defined as a share of purchases from one supplier compared to the total number of purchases of a specific component part [11] . Loyalty has been measured by repurchase intention and a price tolerance (for satisfied customers) [10]. According to Bubb and van Rest [12] "loyalty becomes the means whereby past buying decisions affect the current one" and loyal behaviour can be recognised as a tendency for a customer to repeatedly buy from a particular supplier. Thus, loyal behaviour might be the result of either a favourable attitude to buy from a certain supplier or a real or perceived lack of alternatives. In this study *loyalty* expresses the degree to which the retailers want the company as a supplier in the future. This meaning of loyalty parallels the measure *continuity* used in the studies of Anderson and Weitz [13] and Heide and John [14] and could comprise both the favourable attitude and perceived or real lack of alternatives. Loyalty or customer retention can be obtained by different means, but those suspected to be affected by components of the suppliers' marketing mix, will be examined in this study.

Satisfaction

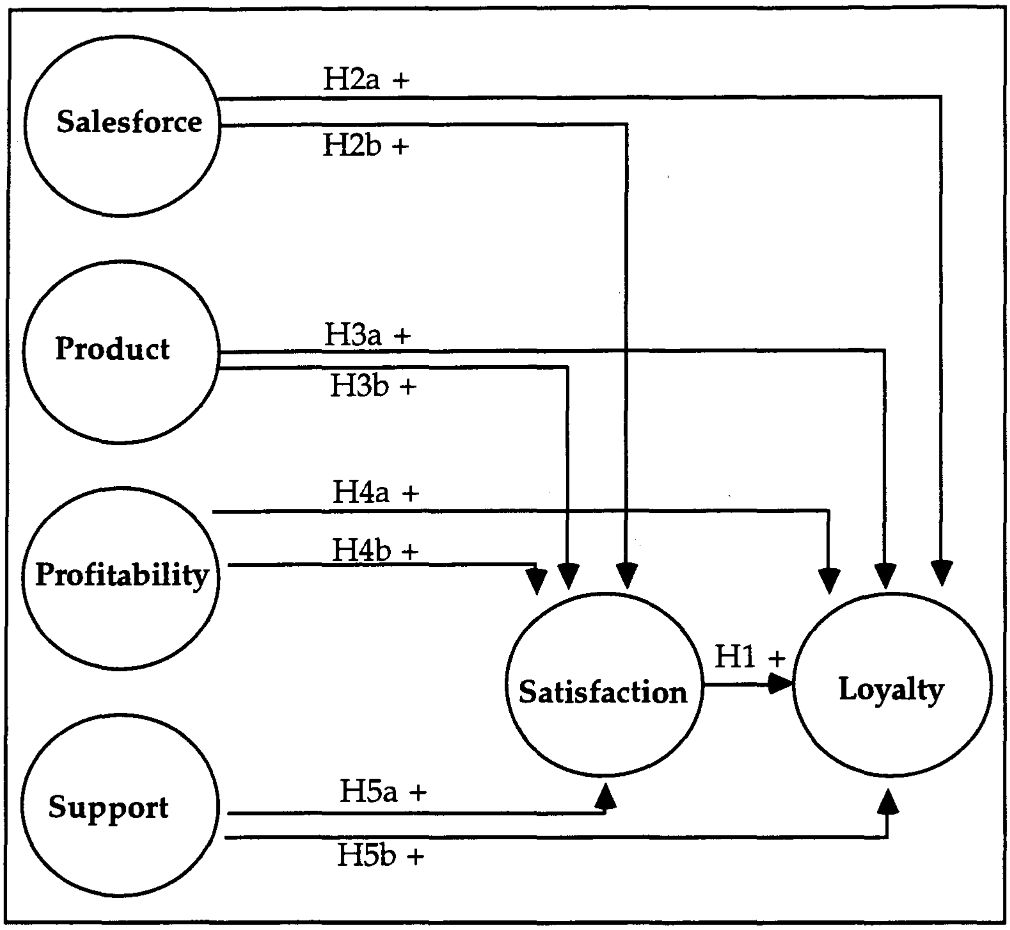
Satisfaction evolves as a consequence of one party's experience with the other's ability to fulfill norms and expectations [5,10,15-17]. When satisfaction is a result of historical events, loyalty, as measured in this study, refers to a desired outcome in the future. As customer satisfaction, and its effects on retention, have recently gained much attention for consumer-oriented businesses [e.g. 10,18,19], the causes and consequences of satisfaction should also be important to study within a supplier/distributor relationship framework [8,17,20]. Previous research [21-25] has found a correlation between the satisfaction of members in a channel of distribution with other members, their power and sources of power, and how power and sources of power are exercised [26-28]. Exercised non-coercive power sources are supposed to be positively related to satisfaction and exercised power is expected to be negatively related to satisfaction [9,22,23]. As the framework of power and dependence has been of great value to understand the formation of relations and interactions between channel members, it is important not to forget the mutual dependence between the members of the channel system [29]. The objective of organizations in a channel system is the attainment of goals that are unachievable by organizations independently [29]. In order to achieve collective goals, the channel members have to cooperate. Power and cooperativeness may have some commonality, and it is suggested that satisfaction stems from the perceived co-operativeness of partners in the channel [21]. A similar result is reported by Anderson and Narus [17], as they found that cooperation is positively related to trust which in turn stimulates satisfaction.

Model

Power, sources of power, dependency and co-operation have previously been studied by different methods, either by direct questions of perceived power or dependency, or by measuring the distributor's perceptions of effects of the supplier's marketing mix components on power, sources of power, and dependency. Most of the research either have studied effects on satisfaction [cf. 17,21,22-25,30] or on loyalty (or a similar measure; continuity, buying intention, commitment) [7,11,13,14]. Less emphasis has been placed on studying the additional direct or indirect effects of other parameters causing satisfaction and loyalty (repurchase, repurchase intention) [cf. 10,11,16,18]. Building on the model of Ruekert and Churchill [31], the intention of this study, therefore, is to test in which way the retailer's perception of the components of the suppliers' marketing mix - salesforce, product, profitability, and marketing support - exerts influence both on the retailer's satisfaction and on its loyalty to its suppliers.

The model to be tested is shown in Figure 1.

Figure 2.1: Conceptual Model for Testing Satisfaction and Loyalty.



Satisfaction and loyalty

The relationship between supplier and retailer should be seen in a long-term perspective, where the maintenance and strengthening of the relation is regarded as a condition for the exchange of products [5,15]. If the seller manages the relationship well, it is expected that the buyer will be satisfied, which in turn will reinforce the desire for the co-operation to last [32]. If, however, the expectations of the buyer are not fulfilled, it could be expected that the buyer will consider the dissolution of the relationship. Generally, high levels of satisfaction will have positive consequences for the relationship [32]. Several studies [e.g. 10,11,16,18] indicate a positive influence of customer satisfaction on buying intention or loyalty towards a company or supplier, or that satisfaction leads to long-term continuation of relationship [33]. Therefore, satisfaction may be predictive of future actions by partner firm managers [17]. This argument can be summarized as:

H_1: The greater the satisfaction with the supplier, the more loyal the retailers are expected to be.

Salesforce, Satisfaction and Loyalty

The salesforce represent the interpersonal contact between supplier and retailer. The task of the salesforce is to influence the retailers by presenting and selling in new products, to promote the existing product line in co-operation with the retailer, to take care of the products on the shelves, and to be a consultant for the retailer. Furthermore, most salespersons might have the authority to deal with claims and other incidents which might cause conflict. Interpersonal contact and exchange of information is reported to produce a cooperative atmosphere between buyer and seller which, in turn, sets the stage for a closer co-operation [30]. The manufacturers' salespersons and their assistances could be defined as a part of the manufacturers' non-coercive sources of power, positively correlated to the distributor's satisfaction [22-24]. Knowledgeable sales persons are an important satisfaction factor, positively contributing to customer loyalty [16], and interpersonal contact is found to be important in insuring the continuity of a relationship between channel members [13] . Furthermore, it could be supposed that the absence of the sales representatives may augment the workload for the retailer's personnel, causing a dependency between the retailer and the supplier. Referring to previous research [22-25,34,36] this argument can be summarized as:

H_{2a}: The better the performance of the supplier's salesforce is assessed by the retailers, the more loyal the retailers tend to be.

H_{2b}: The better the performance of the supplier's salesforce is assessed by the retailers, the greater the satisfaction with the supplier.

Product, Satisfaction and Loyalty

The product concept in this study refers to product quality, brands, and product line. Product differentiation by means of strong brands and a unique product line is a possibility for the suppliers to develop a competitive advantage and to build barriers to switching [2,3,15,35,36]. Therefore, products could be defined as one of the supplier's coercive sources of power [9,25]. With no alternatives, retailers will be dependent of the suppliers, because well-known brands should be expected to attract customers to the outlet to a larger extent than less-known brands [2,3,36]. Thus, strong products and a unique product line could induce the retailer to continue the relationship with the supplier even if the supplier is considered less competent in other areas. Furthermore, within a working relationship, the product quality should be assumed to be a part of the norms [5,37] between the two parties, so that the ability to deliver expected quality may affect supplier satisfaction [5,15]. The attraction of customers to the store by means of the supplier product line can also be regarded as a means to achieve common goals [31]. In retrospect, the degree to which the products are perceived to fulfill these goals should be expected to contribute to satisfaction with the supplier. This argument can be summarized as:

H_{3a}: The better the products of the supplier are perceived, the more loyal the retailer is expected to be.

H_{3b}: The better the products of the supplier are perceived, the more satisfied the retailer is expected to be with the supplier.

Profitability, Satisfaction and Loyalty

Profitability refers to product profitability, competitive price level, and terms of trade. Profitability is contingent on volume, price and profit margins. It is to the advantage of the seller to obtain the highest return possible from the exchange, while the exact opposite is the desire of the buyer, which creates a possible conflict between the two parties [3]. The continuation of the relationship is a sign that the conflict has been resolved, expressing the cooperativeness of the parties [3,32]. If achieved rewards compare poorly to deserved and expected rewards, the retailer will be dissatisfied with the exchange [17,20,32]. The significance of the relationship's economic succes is furthermore supported by Wind [11] who found that cost savings were the most important single explanation variable with source loyalty. Furthermore, provided that selling products from an alternative supplier does not render the retailer a similar level of profit as that obtained from the existing exchange relationship, the higher profits also mean that the retailer is dependent on the supplier [9]. Profitability, thus, should be expected to influence both satisfaction and loyalty to the supplier. This argument can be summarized as:

H_{4a}: The better the profitability by selling the supplier's products, the more loyal the retailers will tend to be.

H_{4b}: The better the profitability by selling the supplier's products, the greater the satisfaction with the supplier.

Support, Satisfaction and Loyalty

Support refers to the marketing support of the supplier's products by media advertising, product demonstrations and the marketing skills of the supplier. Support could be defined both as non-coercive sources of power [22-24], as well as motivational investments and commitment in the relationship [7,9]. When the supplier actively supports the sales of the products, it will be to the benefit of the retailer as well. The retailer may consider the active support of the products as a sign of co-operative behaviour from the supplier, especially the activities which are channelled through the outlets, e.g. demonstrations, and various promotional activities. Distributor satisfaction could be increased if the supplier relies on non-coercive sources of power such as providing high quality assistances, like national and local advertising [22-24]. Distributors believe manufacturers are committed when they make visible distributor-specific investments for example by supporting the distributor's sale of the manufacturer's products [7,9,13]. The suppliers supporting their products heavily may be perceived more dedicated to the relationship than suppliers with less support. Furthermore, it can be argued that the loss of a supplier with a strong marketing support, might cause the retailer to increase his own promotional budget. From the distributors perspective, it can be more profitable to cooperate with the suppliers heavily supporting their products with a variety of marketing activities, than with the suppliers with modest support. This argument can be summarized as:

H_{5a}: The better the supplier is perceived by the retailer to support his products, the greater the retailer's satisfaction with the supplier.

H_{5b}: The better the supplier is perceived by the retailer to support his products, the more loyal the retailer will tend to be.

Method

Sample

The marketing mix variables - salesforce, product, profitablity and support - build on the cassification of McCarthy [38] and are variables controlled by the supplier's sales and marketing department. Since the objective of the study was to test the way supplier's use of these marketing mix variables may influence the satisfaction and loyalty of its distributors [cf. 31], it was important to select an industry which could reflect the problems discussed in the model. The distributors should have knowledge to and be experienced with suppliers with different marketing mixes and skill levels. Another requirement was the possibility to draw a controllable sample. Based on these criteria the grocery trade was selected. To obtain meaningful information for the assessment of the suppliers, it was important to conduct the study in outlets having regular visits from the sales representatives from different suppliers. That meant large outlets. The study, therefore, was conducted among supermarkets with a gross turnover of NOK10 million or more per year. This category of outlets represent 28 per cent of the number of grocery outlets, about 70 per cent of the total grocery turnover, 98 per cent of them being members of a chain. In order to have comparable suppliers, a requirement was that they should be within the same industry, but otherwise they should reflect a variation in working style, skill level and use of the marketing mix variables. Six suppliers from the food processing industry were assessed. Within a Norwegian context they can be classified as two small, one medium-sized and three large suppliers, as the yearly turnover of the largest was about six times that of the smallest. Four of the suppliers distribute through wholesalers, the remaining two have direct distribution of goods. The suppliers assessed, thus were considered to meet the above-mentioned criteria.

The sample was drawn from AC Nielsens' data base covering Norwegian supermarkets above NOK10 million turnover pr. year. The northern part of the country consists of 50% of the geographical area but only 10% of the population. Some suppliers therefore neglect this region, which may cause geographic differences when they are evaluated. As it was thought to be of importance to control for geographical differences due to differences in effort, the sample was quoted in six geographical regions. Within each geographic region the outlets was drawn such that each outlet had a similar and known possibility to receive a questionnaire. The key informant in each outlet was the store manager. Even if the chain management is responsible for deciding on and negotiating the annual contract with the suppliers, many chains take account of supplier evaluations among their chain members before the negotiations take place. Furthermore, the store manager has the day-to-day contact with the supplier's sales representatives discussing campaigns, merchandising, means to improve product profitability, and dealing with claims. The store manager also has the primary responsibility for correct ordering and stocking throughout the year. For that reason, the store manager was considered to be the best qualified to answer the questionnaire. He or she, however, was encouraged to discuss with their subordinates their assessment of each supplier to obtain the most correct evaluation.

The data collection was conducted by mailing a questionnaire together with a cover letter, a lottery ticket in an instant money-lottery as an incentive to answer, and a postage paid envelope. As follow-up, one written and one telephone reminder was undertaken. A total of 972 questionnaires were mailed and 347 satisfactorily completed questionnaires were received (a response rate of 36 per cent).

The distribution of the sample compared to the population of outlets according to the size of the outlet is shown in Table 2.1.

Table 2.1: Population Compared to Sample by Size of Outlet.

Size of outlet (Gross turnover pr. year)	Share of population	Share of sample
10-15 mill.	33%	32%
16-20 mill.	19%	19%
21-31 mill.	21%	21%
o. 31 mill.	28%	29%
n	1815	347

sample also matches the population of outlets satisfactorily with regard to chain membership and structure of number of product varieties stocked.

Measures

The constructs were measured by a various number of items designed as a statement and a key word to define the statement. During the construction of the questionnaires the statements were discussed with representatives for the sales management of the suppliers to ensure the relevance of the constructs. Each supplier was assessed on a 6-point scale for each item. The scale ranged from 1 meaning "extremely poor" to 6 meaning "extremely good". In addition the informants were given the opportunity to respond "have no experience" to avoid meaningless answers for any company which was not a supplier to the outlet or when the knowledge and the base for evaluation otherwise was not very good.

Churchill et al. [39] indicate that the determinants of salesperson's performance are personal factors, skill, role variables, aptitude, motivation, and organizational/environmental factors. The construct *salesforce* thus should reflect different aspects of the selling task. At the same time the properties should be observable to the informant. In total the *salesforce* construct consisted of ten items. The *product* construct was measured by three items, the *profitability* construct by three items and the *support* construct by two items. A list of the items is reported in table 2.2 and a sample of the statements is shown in Appendix I. Satisfaction was measured by the item: "An overall evaluation of the supplier with respect to my outlet", as loyalty was measured by the item: "To which degree does the outlet want the company to continue as a supplier to this outlet"? In the questionnaire it was emphasized that when assessing satisfaction and loyalty, all aspects of the supplier should be taken into consideration, both salesforce, products and marketing support. While it has been done in a similar way in previous studies [16-18,22,40-42], measuring satisfaction and loyalty by single items could be a weakness for the study.

Analyses

The internal consistency for the items within each construct was tested by principal component factor analyses. Then Cronbachs alpha was computed as a reliability test for the constructs. Multiple regression was used to estimate the model parameters on the pooled supplier data. Arithmetic-mean values were used for the multi-item constructs. The analyses were of the form:

$$\text{Satisfaction} = b_0 + b_1(\text{salesforce}) + b_2(\text{product}) + b_3(\text{profitability}) + b_4(\text{support}) \quad (1)$$

$$\text{Loyalty} = b_0 + b_1(\text{satisfaction}) + b_2(\text{salesforce}) + b_3(\text{product}) + b_4(\text{profitability}) + b_5(\text{support}). \quad (2)$$

Satisfaction is the dependent variable in the first multiple regression analysis (model 1) and independent variable in the the second multiple regression analysis (model 2). Loyalty is the dependent variable in the second multiple regression analysis (model 2). In addition the models were tested for each of the suppliers separately.

Results

The factors, the alpha coefficients, the mean values, standard deviation, and the items which comprise each scale are shown in Table 2.2.

Table 2.2: Constructs, Cronbach's Alpha, Mean Values, and Standard Error.

Construct	Number of items	Cronbachs alpha	Mean value	Standard error
Salesforce -Sales rep.'s personal appearance -Merchandiser's personal appearance -Visiting frequency -Sales effectiveness -Campaigns/promotions -Professionalism -Shop effectiveness -Merchandising -Acquaintance -Management	10	0.94	3.93	1.13
Product -Product quality -Brands -Product line	3	0.68	4.45	0.89
Profitability -Product profitability -Competitive price level -Terms of trade	3	0.71	4.05	0.86
Support -Product support -Marketing skill	2	0.71	3.92	1.02
Satisfaction	1	-	3.99	1.23
Loyalty	1	-	4.67	1.20

Cronbachs alpha for the constructs salesforce, profitability and support have a reliability above 0.7, while the value 0.68 for the product construct is still sufficient for basic research [43,44].

The correlation matrix of the measures appears in Table 2.3. The largest factor correlation between the independent variables is between sales force and profit, 0.63, followed by a correlation of 0.61 between sales force and support. For model two there is a correlation between sales force and satisfaction of 0.86.

Table 2.3: Correlation matrix of variables

Construct	Sales force	Product	Profita-bility	Support	Satis-faction	Loyalty
Salesforce	1.00					
Product	.52**	1.00				
Profitability	.63**	.59**	1.00			
Support	.61**	.54**	.45**	1.00		
Satisfaction	.86**	.52**	.62**	.58**	1.00	
Loyalty	.64**	.62**	.60**	.51**	.63**	1.00

** = $p<0.01$

The results indicate the possibility of collinearity in the data. As Mason and Perrault [45] suggest, the implications for the effects on the estimates should be viewed in conjunction with other factors known to affect estimation accuracy; explained variance of the model, the sample size and the degree of collinearity, and these will be discussed later in this article.

Table 2.4 presents the results of model 1 and 2, first using satisfaction as the dependent variable and then loyalty as the dependent variable (see Figure 2.1).

Table 2.4: Regression analyses

Independent variables	*ß*	*T-value*	*p*
a) *Model 1, Using satisfaction as dependent variable*			
Salesforce	.79	37.81	.0000
Product	.03	1.31	.1920
Profitability	.12	5.85	.0000
Support	.03	1.68	.0925
Adj. R^2 = 0.75 ; overall F = 1,415.30 ; p = 0.00			
b) *Model 2, Using loyalty as dependent variable*			
Salesforce	.22	5.06	.0000
Product	.32	11.45	.0000
Profitability	.17	5.63	.0000
Satisfaction	.16	3.71	.0002
Support	.05	1.61	.1073
Adj, R^2 = 0.55 ; overall F = 288.28 ; p = 0.00			

Model 1 explains 75 per cent of the variance in satisfaction (adj. R^2 = 0.75). The results indicate a strong, positive relationship between the evaluation of the salesforce (the salespersons skills and their behaviour in the outlet) and satisfaction with the supplier (*ß* = 0.79, p<0.001), which support the hypothesized relationship *H2b*. Furthermore, the indicated relationship between profitability and satisfaction is positive, but weaker than for the salesforce (*ß* = 0.12, p<0.001). The results, thus, give limited support for the predicted relationship *H4b*. However, the results do not confirm the predicted positive effects of product (*ß* = 0.03, p = 0.19) and support on satisfaction (*ß* = 0.03, p = 0.09). The hypothesized relationships *H3b* and *H5a*, thus, are not supported.

With respect to loyalty 55 per cent of the variance is explained by model 2 (adj. R^2 = 0.55). The analyses indicate a positive relationship between satisfaction with the supplier and loyalty (*ß* = 0.16, p<0.001), which supports *H1*. As predicted, the positive relationship between salesforce and loyalty (*H2a*, *ß* = 0.22, p<0.001) is supported.

Furthermore, the results indicate the predicted, positive effects of product on loyalty (*H3a*, $\beta = 0.32$, $p<0.001$) and of profitability on loyalty (*H4a*, $\beta = 0.17$, $p<0.001$). However, the expected positive effect of support on loyalty is not found. The relationship *H5b*, therefore, is not confirmed ($\beta = 0.05$, $p = 0.11$)

Discussion

The analyses demonstrate that both models have a high explanatory power (measured by R^2), indicating that the model fits the data. The results support the expected relationships, predicted in figure 2.1 with the exceptions of the predicted positive effects of the supplier's product and marketing support on retailer satisfaction and of the supplier's support on retailer loyalty wich were not supported. However, the results indicate that the retailer's satisfaction and its perceived loyalty to its suppliers are affected differently by the components of the marketing mix of the suppliers.

Satisfaction is indicated to be strongly influenced by the salesforce and to a limited extent by the profitability of selling the supplier's products. In the working relationship between retailer and supplier the sales representatives represent the interpersonal contact. At the same time they perform promotional activities that can be tailored to the individual retailer. The supplier's use of sales representatives for promotional activities, thus, can be interpreted as use of expertise and willingness to co-operate. The results support the previous findings that the retailers' satisfaction is positively influenced when the supplier is perceived to be co-operative [21] and exercises non-coercive sources of power based on assistance, information, and expertise [9,24,46]. Furthermore, the results parallel studies demonstrating that interpersonal contact and social exchange is a major element with respect to satisfaction and willingness to cooperate in a supplier-customer relationship [30,34]. The suggestions of Mallen [3] are also supported by the results; a supplier can support common interests by choosing a cooperative model in which the supplier does a range of activities for the retailer, for example sales promotions, advertising and training of the retailer's personnel for the supplier's products.

Previous studies demonstrate that satisfaction within a channel of distribution is affected by the outcome of distributing a product line [17,20]. This study indicate a similar result, as satisfaction with the supplier to a certain extent also is affected by the perceived profitability of selling the suppliers' products. Perceived profitability thus could be seen as fulfillment of expectations in the relationship [15,32].

When the results of this study indicate that product and marketing support do not have a significant influence on retailer satisfaction, it cannot automatically be concluded that these parameters should be neglected. The correlation matrix indicates that both product and marketing support is positively correlated to satisfaction individually. However, simple regression indicate that these variables explain a smaller proportion of the variance than the variables salesforce and profitability do individually. Within the framework of this study, a suggestion could be that the marketing support and product variables might have an indirect effect on satisfaction through the salesforce and profitability constructs. Support for this suggestion is found in the correlation between marketing support and salesforce and between product and profitability.

The positive relationship between satisfaction and loyalty, as the results indicate, may neither be surprising nor exciting. Both theoretical [5,32] and empirical studies [10,11,16,18] support this finding. A high level of satisfaction will reinforce if not heighten levels of deserved and expected rewards. As a result, the retailer's effort and co-operation in the relationship should increase in the immediate future [32]. In the study of Hunt and Nevin [22] the satisfaction measure is used as a synonym to the loyalty measure. This study, however, indicates that the two variables are concepts with different contents. The results indicate that satisfaction is one of several predictors which influences loyalty, as also demonstrated by Fornell [10], Wind [11], and Gladstein [33]. But, in addition, loyalty to the supplier is affected by the products, the salesforce and product profitability. These parameters are means for the supplier to differentiate and create switching barriers, supporting the view that customer satisfaction is assumed to be more important for repeat business, when switching barriers to competing products or suppliers are expected to be low, than when other factors bring about retention [10].

When the results indicate that products are of significance to customer loyalty, this finding is consistent with Frazier, Spekman and O'Neal [15], who say that the core products are the focus of exchange relations with a long-term time horizon. Product differentiation could be part of a strategy for the manufacturers to gain competitive advantage [3,35,36]. The significance of the products for the retailer's loyalty to a supplier also give support to the findings of Farris et al.[2]; given the choice between a large and a small brand (and given equal amounts of trade support) retailers will preferentially choose the brand for which there is greater demand. Products cannot be seen isolated from profitability, the financial part of the retailer's reward from the cooperation with the supplier [5]. A competitive price level and reasonable terms of trade sales could, from the retailer's perspective, be interpreted as signs of the supplier's co-operativeness and stake in the customer relationship. In turn this could reinforce the desire from the retailer to continue the relationship [7,13]. On the other hand, the retailer may feel a dependency of the supplier due to the profitability of selling the manufacturer's products. Difficulties in finding substitute suppliers with a similar product quality, brand equity and product profitability could mean that the dissolution of the relationship is less attractive than its continuation [5,32]. For the retailer there is a trade-off between profitability and potentially negative evaluations of satisfaction [16]. Hence, product and profitability could be regarded as a source of power for the supplier [9], contributing to the creation of switching barriers which in turn will affect loyalty [5,11].

As indicated by the results, satisfaction to a large extent is affected by the salesforce. Furthermore, it can be argued that the salesforce also influences loyalty indirectly through satisfaction, which indicates that the importance of the salesforce for retailer loyalty must not underestimated. By examining the effects within the salesforce construct on loyalty, the results indicate the importance of the professionalism of the sales representative as a consultant for the retailer together with his or hers personal appearance. These results are consistent with the findings of Oliva et al. [16] demonstrating that competent sales representatives are important for supplier loyalty. Furthermore the results support the findings of Anderson and Weitz [13] highlighting the importance of interpersonal relationships for the continuity of a manufacturer - representative dyad.

Limitations

The correlation matrix (table 2.2) shows that correlation between the independent variables exists, which indicates potential collinearity effects. A question is how pronounced these effects in this study are. The presence of one or more large bivariate correlations, 0.8 and 0.9 are commonly used cutoffs, indicates strong linear associations, suggesting collinearity may be a problem. However, the absence of high bivariate correlations does not imply lack of collinearity because the correlation matrix may not reveal collinear relationships involving more than two variables [45]. Mason and Perreault [45] state that the effect of a given level of collinearity can be evaluated only in conjunction with sample size, R^2 and magnitude of the coefficients. Following the arguments of Mason and Perrault [45] the likelihood of Type II (failure to detect a "significant" predictor) in this study with a sample size between 230 and 320 (varying between the different constructs), R^2 of 75 per cent (model 1) and 55 per cent (model 2), and the magnitude of the coefficients, is estimated to be small, but not negligible. The findings of Mason and Perreault [45] lends support to the suggestions stated above, that within the setting of this study, the product variable and marketing support variable seems to be of little significance to explain the variance in satisfaction in model 1, as marketing support also seems to be of little significance in explaining loyalty in model 2. Furthermore, the discussion tend to support the conclusion that satisfaction and loyalty apparently are concepts with different content.

With respect to satisfaction, a potential problem with this kind of measurement is that it might be confounded by the phenomenon itself [10, p.11]. If, for example, the informant is of the opinion that the sales representative is performing well (bad) in the job, he or she also might be satisfied (dissatisfied). Following Fornells [10] argumentation, however, the different constructs can be looked upon as quality or satisfaction parameters which contribute to explaining the total satisfaction.

The objective of the study have been to look at the supplier-distributor relationship from the perspective of the distributor [cf. 8,17,20], to reveal to the supplier side how retailers assess the quality of a supplier's marketing performance, so that the supplier can be able to adjust their strategy in order to make their marketing efforts more productive [8]. Collecting information only from the one side of the dyad, the retailer, might be a weakness for the study, acknowledging that the exchange partners may have different perspectives of their relationship [47]. There is good reason to believe that these different perspectives are due in part to strategic posturing and use of information [14]. As Dill [48] notes: "...it is not the supplier or the customer that counts but the information that he makes accessible (to the partner)". A study of the relationship by collecting information both from the supplier and retailer might contribute to a more precise understanding of effects of change in the suppliers marketing mix.

Managerial Implications

The increased concentration of retailers is said to have changed the balance of power between the manufacturers and the distributors. Ways to reduce or eliminate the power of the buyers is regarded to be an important issue from the perspective of the manufacturer. Another issue for discussion is whether there is a future need for sales representatives as purchase decisions become more centralized.

The question of loyalty is thought to be vital to suppliers. Much of the marketing literature may give the impression that satisfied customers automatically are loyal customers. The findings in this study may suggest, within the limitations for the research framework, that satisfied customers are important, but not necessarily sufficient to obtain loyal customers. However, no single factor stands out to be determinant for loyalty, as loyalty is indicated to be the effect of the interplay between a set of factors.

"Make the product the hero", is an old saying in consumer advertising. This saying seems to be valid for creating stable relationships between suppliers and retailers too. Brand building and quality products, thus, will be a vital point both for establishing relationships both with consumers and to trade.

Products cannot be seen isolated from profitability. The findings of the study indicate that profitability also is a means to influence retailer satisfaction and loyalty. Profitability is not only a function of low prices and high margins, but in addition a result of volume and turnover rate. Space management, actually measuring the product profitability in the outlets and documenting the contribution per unit of sales area is suggested to be important to create bench-marks. It is suggested that sales management should integrate space management as a part of the programme of the sales department. The results may have implications for the communication with the retailers, as well as for development of packaging, transport and for the working routines of the salesforce.

The findings of the study do not indicate that the salesforce is obsolete. The results, however, indicate that the role of the sales representatives is in transition from that of seller and merchandiser to consultant and merchandiser. Emphasis should then be put on training the salesforce to communicate to the store managers as professionals, together with special activities individually designed for the different chains. This trend may imply the employment of special "account managers" with relation-building activities to the key-accounts or important retailer chains as their main working task.

Future Research

With the great research emphasis on satisfaction and loyalty [10,11-13,15,16,18,19-25,32] an appropriate question could be how these measures relate to actual sales. With the increasing availability of scanning data an issue for future research could be to validate the measurements of attitudes by relating them to market performance, such as market share. A parallel research issue could relate perceived product profitability to actual product profitability.

An observation in the study is the differences in assessments between suppliers. There are indications that the large suppliers tend to be better assessed than the small ones. This raises the question whether systematic differences in the perception of performance of small and large companies exist. If so, what are the causes? Are the causes a better reputation [49], or are they caused by halo-effects created by being perceived as competent in one field, carrying over to being perceived as competent in other fields? Does product importance [30] have an impact on satisfaction and loyalty, or is the explanation that large companies simply are better than small ones, due to better recruitment of personnel, better training, organization and so forth? A continuing research effort in this and other areas suggested herein would make contributions to both validating the results from research in relationship formation between suppliers and distributors and to giving a fuller understanding of the factors leading to a long-term relationship.

Conclusion

A conclusion that could be drawn upon the results of this study is that retailer satisfaction and loyalty is affected differently by the components of the supplier's marketing mix. Thus, satisfaction and loyalty within a working relationship of supplier and retailer seems to be concepts with a different content. The results indicate that satisfaction mainly is affected by the salesforce of the suppliers through interpersonal relations, communication, co-operativeness and promotional activities in the outlets. Satisfied customers may not be sufficient to create loyal customers. While satisfaction is one determinant of loyalty, loyalty also is affected by determinants signalling dependency, sources of power and stakes in the relationships. Examples are quality products, strong brands, a unique product line, product profitability, and a professional salesforce.

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Appendix I: Measures - Sample Items

Salesforce

•The appearance of the sales representative in the daily work in the outlet, that is his/her ability and willingness to do a proper job, work effeciently and effectively, and to behave correctly towards customers, store personnel and competitors. (Sales representatives appearance)

•The sales representative's ability as a discussant regarding store lay out, store management, and store economy. (Professionalism)

•The salesforce's skills and creativity with respect to design/produce selling product displays. (Merchandising)

Items were scored on a six point scale with end points: 1=extremely poor and 6=extremely good

Products and profitability

•The quality of the supplier's products, that means the quality of the products compared to similar or competing products. (Product quality)

•To what extent the supplier has well known brands that the customer of the store prefer to parallel products from other suppliers. (Brands)

•How profitable the supplier's products are to the store with respect to the net profit (absolute value), rate of turnover, space required in the store and handling costs. (Product profitability)

•The price level of the supplier's products, that means the prices compared to similar and/or competing products. (Competitive price level)

Items were scored on a six point scale with end points: 1=extremely poor and 6=extremely good

Support

•How the supplier's products are supported by advertising in mass media, demonstrations and other kinds of marketing activities. (Product support)

•The supplier's skills in developing retailer promotional activities, which create demand for the supplier's products. (Marketing skill)

Items were scored on a six point scale with end points: 1=extremely poor and 6=extremely good

Overall evaluation

At last we have two questions regarding the entire impression/the complete impression of the supplier (both salesforce, the supplier's products and profitability, and marketing support).

•An overall evaluation of the supplier (with respect to my outlet)

•To which degree does the outlet want the company to continue as a supplier to this outlet

Items were scored on a six point scale with end points: 1=extremely poor and 6=extremely good

Chapter 3

The Strategic Role of The Salesperson in Established Buyer-Seller Relationships*)

Abstract

When the ordering function is governed by administrative arrangements and sales are regulated by long-term contracts, managers may question the necessity and the tasks of the sales function within established customer relationships. The authors examine three issues related to the role of the salesperson in established industrial buyer-seller relationships: (1) appropriate measures of salesperson performance within a relationship, (2) behaviors and skills affecting salesperson performance, and (3) the effect of salesperson performance on the relationship. The results from a survey of industrial buyers suggest that the salesperson has a significant and substantial effect on relationship continuity. They also show that the salesperson contributes to perceptions of the supplier's reliability and supplier services. The key attributes of an effective salesperson are ability to resolve conflicts, ability to develop a personal relationship with customers, and ability to facilitate exchange of information between the supplier and buyer firms.

Key words: Industrial marketing, salesforce management, relationship marketing

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Introduction

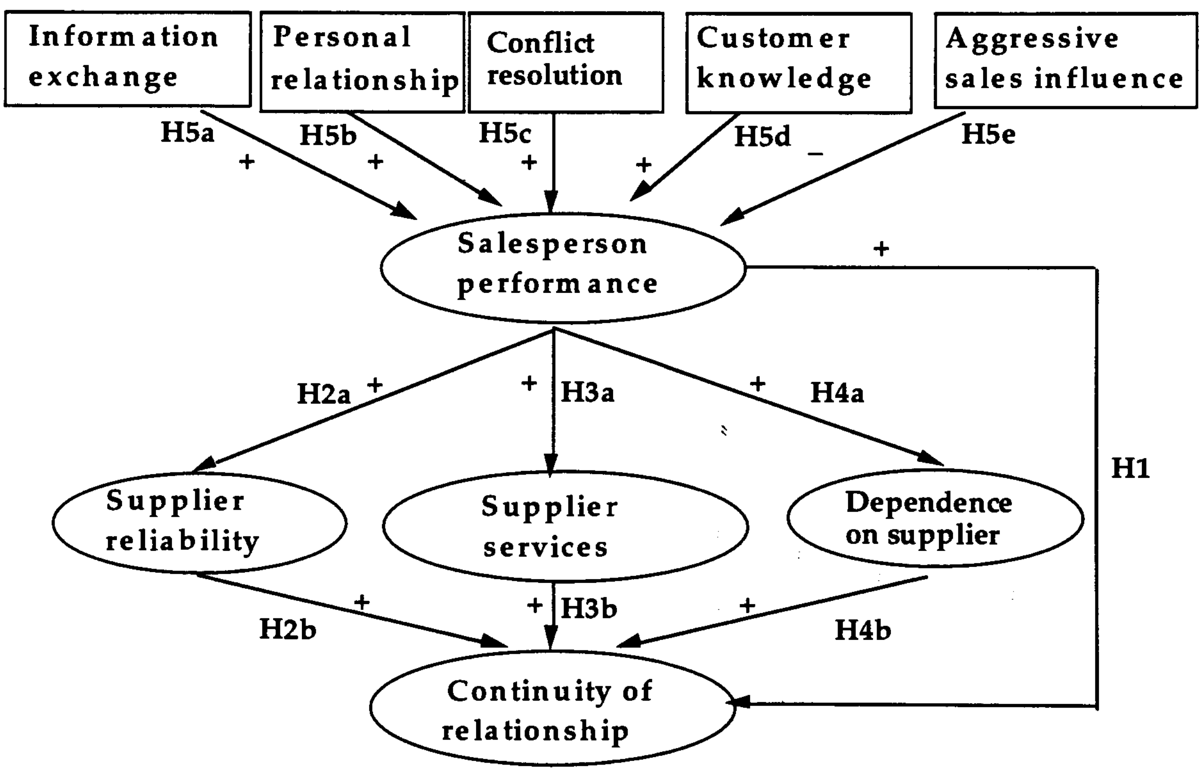
One of the rationales for developing long-term buyer-seller relationships is to make transactions more efficient through administrative routines and contractual arrangements (Arndt 1979; Heide 1994; Sheth and Parvatiyar 1992). When the ordering function is governed by administrative arrangements and sales are regulated by long-term contracts, managers may question the necessity and the tasks of the sales function within established buyer-seller relationships. Research on selling and salesforce management has to a large extent treated selling as an order-producing function (Ford 1980) and has measured sales function performance mainly as sales volume or sales value, market share, or the attainment of a sales quota (Behrman and Perreault 1982; Churchill et al. 1985; Cravens et al. 1992). If only the order-taking and short-term selling role of the salesperson is considered, the importance of the sales function might be questioned. However, because the role of the marketing function is affected by the formation of buyer-seller relationships (Dwyer, Schurr, and Oh 1987; Webster 1992), such a perspective of the salesperson and sales function may be too narrow in scope. The literature suggests that the role of the salesperson is in transition toward being that of a relationship manager rather than that of a seller (O'Neal 1989, Webster 1992). With emphasis on relationship management, the salesperson is supposed to influence long-term more than short-term sales. However, with few exceptions (Crosby, Evans, and Cowles 1990; Lagace, Dahlstrom, and Gassenheimer 1991), the role of the salesperson within established relationships has not been studied. We therefore conducted a study to investigate how industrial buyers perceive the strategic role of salespersons in terms of influencing various aspects of the relationships with a selection of their suppliers.

We first develop hypotheses about the strategic role of the salesperson and the behaviors and skills affecting salesperson performance in established buyer-seller relationships with respect to relational interactions. Then we describe the methods used in our study and report the results. Finally, we discuss the theoretical and managerial implications of our findings and suggest directions for future research.

The Role of The Salesperson in Relationships

Past research in sociology (Larson 1992), economics (Kranton 1996), and relational contracting (Dwyer, Schurr, and Oh 1987) shows that relationships usually evolve incrementally and reflect an ongoing process. The same research identifies interpersonal attachments, previous experience, specific investments, and incentives or relational benefits as mechanisms that may promote the evolution of the relationships (Axelrod 1984; Ganesan 1994; Larson 1992; Morgan and Hunt 1994; Seabright, Levinthal, and Fichman 1992). Over time various departments and functions of the seller's organizations interact with the buyer, with consequences for fulfilling the intentions of the relationship (Gummesson 1991; Kanter 1994). The activities of those functions must be coordinated. Building on the argumentation that within relationships the salesperson should be a relationship manager, a coordinator, (O'Neal 1989), and also an internal marketer (Arndt 1983), we developed the theoretical model in Figure 3.1.

Figure 3.1: Theoretical Model of the Hypothesized Antecedents and Consequences of Salesperson Performance



Relationship Continuity

Understanding the salesperson's role in developing and maintaining relationships with buyers requires an understanding of the value of a long-term exchange relationship to both the supplier and the buyer. The value of a relationship is assumed to be rooted in the continuity of the relationship between the parties. Continuity means the parties' willingness to prolong the cooperation or agreement to cooperate for a finite or indefinite period of time into the future (Anderson and Weitz 1989; Heide and John 1990). The motivation for long-term relationships can be explained by various theoretical perspectives. Efficiency and safeguarding aspects are central to transaction cost theory (Heide and John 1988; Noordewier, John, and Nevin 1990; Williamson 1979, 1991). As Ganesan (1994) argues, firms with a long-term orientation will rely on relational exchanges to maximize their profits over a series of transactions. Relational exchanges obtain efficiencies through joint synergies resulting from investments in and exploitation of idiosyncratic assets and risk sharing, as well as the long-term perspective increases the probability of securing a profitable return on the relational investments. Transactional value theory (Zajac and Olsen 1993) focuses on joint value maximization of the parties in the relationship. Managing dependence and uncertainty is central to resource dependence theory (Pfeffer and Salancik 1978), while development of competence is an issue when the perspective is human relations (Kumar, Stern, and Achrol 1992). A buyer provides valuable resources to a supplier in the form of money in exchange for products or services, access to markets, and competence that may enhance innovation (Buchanan 1992; Heide 1994; Pfeffer and Salancik 1978; Reve and Stern 1979). The supplier may provide valuable resources to the buyer in the form of reduced uncertainty in the procurement of important products, more cost-efficient supply, and competence that may enhance the buyer's competitiveness, such as production methods, increased sales, and new products (Asmus and Griffin 1993).

How long the parties expect the relationship to last will have implications for the nature and degree of their cooperative behavior. When the parties regard the relationship as a series of discrete transactions, motivation and incentives to cooperate are likely to be minimal and tied to the output of each transaction (Dwyer, Schurr, and Oh 1987; Ganesan 1994; Heide 1994; Macneil 1978). In contrast, when the parties regard the relationship as a series of interdependent transactions, motivation and incentives are likely to be long-term oriented and behavior more cooperative (Axelrod 1984; Heide 1994; Heide and Miner 1992; Macneil 1978). In general, both parties are expected to be motivated to have a long-term focus when the rewards from relational cooperation are perceived to be more attractive than those from other possible exchanges (Anderson and Narus 1984; Dwyer, Schurr, and Oh 1987; Webster 1992).

Salesperson Performance

Cravens et al. (1993) note that developing accurate evaluations of salespeople is an unresolved problem for both sales researchers and organizations. They suggest that it should be distinguished between salesperson behavioral and outcome performance when doing sales research. Furthermore, it should be distinguished between the salesperson outcome performance and the sales organization effectiveness. Salesperson behavior performance refers to behaviors, like providing information and using technical knowledge (Behrman and Perreault 1982), intended to affect a certain outcome, for example achieving a sales quota (Cravens et al. 1993). The behavioral aspects of salesperson relational performance will be discussed more in detail subsequently in this paper. Salesperson outcome performance refers to the outcomes that can be directly attributed to the salesperson, while sales organization effectiveness refers to a summary evaluation of overall organizational outcomes taking into the account the influence of both the salesperson and other organizational activities (Cravens et al 1993; Churchill, Ford, and Walker 1990). According to Cravens et al. (1993) total sales volume is the the most popular measure of sales organization effectiveness, while cost reductions, asset utilizations, enhancing core competence, increasing future revenues, or continuity of the relationship are suggested as organizational performance measures in cooperative relationships (e.g., Anderson and Weitz 1989; Sheth and Parvatiyar 1992; Williamson 1985; Zajac and Olsen 1993). In this study salesperson performance refers to the salesperson outcome performance related to the relational interactions with the buyer. As will be discussed more in detail in the following section, we propose the domains of the salesperson outcome performance measure to be (1) the buyers satisfaction with the salesperson, (2) the salesperson's achievement of results in the buying company, and (3) the salesperson's ability to strengthen the relationship.

Most measures used in studies of salesperson performance emphasize outcomes such as market share, dollar volume, sale of most profitable products, number of contracts won, cross selling of other products, sales commission, and the attainment of sales quota (e.g., Bagozzi 1978; Behrman and Perreault 1982; Cravens et al. 1993; Crosby, Evans, and Cowles 1990). A question is whether these performance measures are appropriate for measuring salesperson performance in established relationships. As noted by Webster (1992, p.6), there has been a long-standing and clear tendency for marketing practice and theory to focus on the sale, the single event of a transaction as the objective of marketing activity and the dependent variable for analysis. However, studies in sales force management (e.g., John and Weitz 1989) note that focus on single sales and sales volume may foster a short-term orientation of the salespeople. As such, some of the traditional sales performance measures may reflect a transactional more than a relational perspective on performance. However, the bottom line will always be important and it can be argued that market share, accumulated volumes and values, and other quantitative measures of sales performance also may result from long-term relationships. It can also be argued that within multiple-sourcing arrangements the salesperson can influence the choice of supplier over time. On the other hand, the number of single sourcing and just-in-time relationships is increasing (Frazier, Spekman, and O'Neal 1988). One aspect with these arrangements is that the ordering of products are governed by administrative routines, while short-term sales volume may be determined by the success or failure of the customer's efforts. A consequence for the salesperson is that short-term sales may depend on factors outside his or her control, like for example the market or competition within the customer's industry (i.e., Churchill et al. 1985).

We recognize the importance of the traditional measures for sales performance in established relationships. However, for the purpose of this study we will propose an additional performance measure that reflects the salesperson's role as a relationship manager, a coordinator, and a promoter of interfirm cooperation as suggested by Ford (1980) and O'Neal (1989). In a relational context an aspect of salesperson performance should be the salesperson's contribution to realizing the objectives of the relationship either they are cost reductions, revenue enhancement, or stimulation of competitiveness (e.g., Dwyer, Schurr, and Oh 1987; Sheth and Parvatiyar 1992; Zajac and Olsen 1993). The performance of the supplier's salesperson can be judged either by the salesperson's objective accomplishments of relational objectives or by the buyer's satisfaction with the salesperson. Building on the argument that satisfaction is considered as an appropriate measure of relationship performance (Anderson and Narus 1984, 1990; Dwyer and Oh 1987; Gaski 1984; Gaski and Nevin 1985; Robicheaux and El-Ansary 1975), we propose satisfaction with the supplier's salesperson as one domain of the overall salesperson outcome performance measure (Crosby, Evans, and Cowles 1990; Crosby and Stephens 1987). As noted above, the salesperson performance can also be evaluated by objective accomplishments of relational objectives, for example contribution to cost reductions or increasing competitiveness. Although relational results may be long-term in their nature and therefore difficult to evaluate in the short run (Dwyer, Schurr, and Oh 1987; Heide 1994, Macneil 1978), we assume that the buyer has a notion of whether the salesperson contributes to the achievements of the relational goals. Hence, we propose the salesperson's achievements of results in the buyer's company to be another domain of the salesperson outcome performance measure as a proxy for the achievement of more objective measurable results. To influence long-term sales to an established customer, an objective for the salesperson should be to secure and improve the buyer's motivation to continue the relationship. Research in economics (Kranton 1996) shows that cooperation can be sustained if the relational parties monotonically increase the level of cooperation within a relationship. A perception of an increasing level of cooperation demonstrated by the supplier's salesperson should therefore be expected to reinforce the relationship. Reinforcement could act as a demotivation to switch to alternative partners as well as a foundation for expansion of the relationship (Crosby, Evans, and Cowles 1990). Thus, the ability to strengthen the supplier's position within the buyer's organization is proposed as a third domain of the global salesperson performance measure.

Salesperson Performance and Relationship Continuity

The literature on relationship marketing suggests that the task of marketing in a relationship context is to guide the buyer through the stages of the relationship-development process, from establishing a business relationship to long-term commitment (Jackson 1985; Levitt 1983; Morgan and Hunt 1994). Within the terms of sales research long-term commitment or continuity of the relationship is a sales organization effectiveness variable (Cravens et al. 1993, Weitz 1981). Willingness to continue the relationship thus acts as a signal of cooperative behavior. The continuity of the relational cooperation is perceived more attractive than searching for alternative partners (Crosby, Evans, and Cowles 1990; Kranton 1996). Past research in sociology (Larson 1992; Seabright, Levinthal, and Fichman 1992) and relationship marketing (e.g., Webster 1992; Wilson 1995) suggests interpersonal attachment between boundary personnel to be a major force for maintaining and developing cooperative relationships between firms. However, scholars currently disagree in which way interpersonal attachments actually affect the quality of performance in the relationship. Seabright, Levinthal, and Fichman (1992) note that performance will suffer as the parties begin to take the relationship for granted, but that interpersonal attachments act as an inertial force to switching. Others (e.g., Larson 1992) argue that interpersonal attachments promote joint utility and cooperative performance. Our perspective is utilitarian in the way that the parties cooperate to realize some goals. When the salesperson contributes to achieve relational goals, the customer will be satisfied with the salesperson and will continue the relationship (Biong 1993; Fornell 1992; Kranton 1996). This is in line with the results of Crosby, Evans, and Cowles (1990) showing a positive relationship between salesperson relationship quality and anticipation of future interaction. The dynamic, often complex role performed by salespeople in long-term relationships increases the importance of the customer's perception and evaluation of the salesperson's efforts to manage the often multifaceted relationship over time (Frazier 1983). Therefore, when a buyer perceives a salesperson to be doing a good job in terms of achieving relational goals, the probability of relationship continuity is likely to be high. We propose that a salesperson evaluated as a high performer in the mind of the buyer will enhance the likelihood of continuity.

> H_1: There is a positive relationship between the evaluation of the salesperson's performance and the buyer's motivation to continue the business relationship with the supplier.

Salesperson Performance and Supplier Reliability

Reliability of the supplier is defined as the ability to fulfill the terms agreed upon for deliveries of goods and services. Reliability is related to the actual delivery of products and services (Lambert and Sterling 1987). Therefore, supplier reliability is mainly a responsibility of the production and logistic functions. However, as argued below reliability is also influenced by the performance of the salesperson. Products and services usually have to meet specific standards regarding quality, quantity, price, and time of delivery regulated by the agreements between buyer and seller. Transaction cost theory suggests that parties may act opportunistically if given the chance (Stump and Heide 1996). In this case, supplier opportunism may manifest itself in deviations from negotiated terms and specifications in order to generate a short-term profit. One mechanism for controlling opportunism is monitoring (Eisenhardt 1985; Ouchi 1979; Williamson 1994). However, as monitoring may promote cooperation (Eisenhardt 1985; Ouchi 1979), it also involves on-going costs in connection with inspection and processing of performance data. A non-reliable supplier thus incurs increased transaction costs, which argues against one reason for engaging in cooperative relationships. A reliable supplier saves the buyer from disturbances in production and administrative routines due to late deliveries, failures in quality or quantity, and prices that differ from those agreed upon, which also reduces the necessity for monitoring.

From a game theoretical perspective, parties can enhance cooperation by signaling cooperative behavior (Axelrod 1984; Heide and Miner 1992). Main elements of supplier reliability are the supplier's ability to fulfill its obligations to the buyer (Dwyer, Schurr, and Oh 1987) and to stand by its word (Anderson and Narus 1990; Kumar, Scheer, and Steenkamp 1995). Thus, reliability may serve as a means for the supplier to demonstrate cooperativeness and consistency in the working relationship between the two parties (Dwyer, Schurr, and Oh 1987). As partners fulfill their exchange obligations, cooperation rises to higher levels (Kranton 1996). Reliability is closely connected to overall buyer satisfaction because it reflects the supplier's ability to fulfill the buyer's expectations. As satisfaction has been found to affect loyalty (i.e., Biong 1993; Fornell 1992; Gladstein 1984), experienced reliability is likely to enhance the buyer's motivation to continue a business relationship with the supplier.

The tasks in industrial selling may be complex as products and terms usually are adapted to fit the specific needs of the customer (Webster 1991). During the interactions with the buyer the salesperson must understand the customer needs correctly and communicate the specifications regarding quality, quantity, price, and delivery accurately to his or her organization. Part of the selling role can be to cooperate with the customer on tasks such as capacity planning and production scheduling (Shapiro and Moriarty 1982). Furthermore, the sales management literature (Williams and Seminerio 1985) suggests that buyers expect the salesperson to be responsible that agreements are kept and that the salesperson in general act in the customer's best interests within the supplier's organization. This argumentation suggests that salesperson performance influences reliability. However, the literature is unclear about the causality between organizational variables (Crosby and Stephens 1987). In their study they show that satisfaction with the contact person can affect satisfaction with the core service and institution, as well as satisfaction with core service and institution can affect satisfaction with the contact person. Our rationale for the predicted causality lies in the assumption that professional buyers learn the working routines of their suppliers and are able to make distinct evaluations of each of the variables affecting the relationship. Summing up our arguments, we propose:

H_{2a}: The salesperson's performance has a positive effect on the buyer's perception of the supplier's reliability.

H_{2b}: The perceived reliability of the supplier has a positive effect on the buyer's motivation to continue the business relationship.

Salesperson Performance and Supplier Services

Supplier services in our study refer to services and assistance the supplier gives the buyer beyond the core "contractual" product or service to add value to the relationship and to help the buyer improve its competitiveness (Anderson and Narus 1991). For example, the supplier may provide services in product development projects, or improvement programs in production, logistics, procurement, and other processes of the buyer's organization (Morgan and Hunt 1994). Usually, other departments such as R & D, technical department, or engineering department will be engaged in delivering these kinds of assistance. The supplier's intention is to provide added value beyond a standard buyer-seller relationship (Sheth and Parvatiyar 1992) and thus develop a preference for that supplier (Anderson and Narus 1995; Cadotte and Stern 1979, Jüttner and Wehrli 1994). Thus, the additional services provided act as incentives that make it economically attractive for the buyer to cooperate with the supplier. Zajac and Olsen (1993) note that a variety of formal interorganizational arrangements is more a function of future value gains, rather than anticipated losses due to the cost of constraining opportunism, and that a focal firm should consider the value sought by that firm's exchange partner. In a theoretical perspective the overall goal by offering the services is to establish a self-enforcing agreement, which makes the buyer's gain from continuing the relationship with the supplier exceed any gain for dissolving the relationship and start with another supplier (Kranton 1996; Telser 1980).

Shapiro and Moriarty (1982) argue that when products are undifferentiated from competing offerings, a seller can gain preferred supplier status by anticipating customer needs, responding to those needs, and providing value-added services. The management literature reports that leading companies such as IBM and Xerox use their salespeople actively in carrying out a support strategy and train their salespeople in active problem solving (Fierman 1994). By engaging in value-adding activities the salesperson demonstrates cooperativeness by selling solutions, coordinating product development projects, and recommending sets of actions to help the buyer to become more profitable. According to the market orientation theory (Gummesson 1991, Kohli and Jaworski 1990), the salesperson is dependent on his or her organization in providing the services to the customer. As noted in the previous section, the path of causality might be unclear (Crosby and Stephens 1987). Services provided by the supplier might affect the perceived performance of the salesperson, as well as perceived performance of the salesperson can affect the perceived supplier services. Our argument is that the salesperson has to act as an internal coordinator to ensure the fulfillment of the relational obligations (O'Neal 1989) and thus influences the departments and functions providing the services. Hence, we propose:

H_{3a}: The salesperson's performance has a positive effect on the buyer's perception of services provided by the supplier.

H_{3b}: The perceived services provided by the supplier have a positive effect on the buyer's motivation to continue the business relationship.

Salesperson Performance and Dependence on Supplier

Dependence on the supplier refers to the difficulty the buyer perceives in replacing the supplier with another supplier. Dependence can occur when the buyer faces high psychological, physical, and economic costs in changing a supplier (i.e., Jackson 1985, p. 13). Dwyer, Schurr, and Oh (1987) note that when a relationship develops over time, the two parties gain experience and learn to trust each other. Consequently, they may gradually increase their commitment through transaction-specific investments in products, processes, or people dedicated to the particular relationship, thus reducing the number of alternative partners (Emerson 1962; Johanson, Hallén, and Seyed-Mohamed 1991). Furthermore, the buyer may incrementally invest resources in the relationship (asset specificity) like just-in-time programs and voluntarily increase its switching costs and dependence on the supplier (Anderson and Narus 1991). Increasing the buyer's dependence may be an intentional strategy from the supplier. However, as noted by Ganesan (1994), one-sided dependence on the supplier leaves a potential risk of the buyer to be exposed to opportunism and exploitation rather than cooperation. Therefore, with no reasonable alternatives, dependence on, and not necessarily the attractiveness of the supplier, may motivate the continuation of the business relationship (Ganesan 1994).

Human assets tailored to a relationship create specialized knowledge and experience, and may improve selling performance in that particular relationship (Anderson 1985). A relationship-dedicated salesperson is a potential asset not only for the supplier, but also for the buyer. An outstanding salesperson from the perspective of the buyer shows "willingness to go to bat for the customer within the supplier firm," "imagination in applying his/her products to the buyer's needs," and "knowledge of the buyer's product line" (Williams and Seminerio 1985, p. 76). More formally, from an agency-theoretical and transaction cost perspective the buyer delegates some tasks to the supplier's salesperson and invests in the salesperson by educating him or her about company products, production processes, and organization policy (Anderson 1985; Bergen, Dutta, and Walker 1992; Crosby, Evans, and Cowles 1990; Heide and John 1988). These costs will be sunk by switching to another supplier, as well as it will incur costs to educate the new supplier's salesperson (Heide and John 1988). Furthermore, the buyer is familiar with the performance of the current salesperson, while the performance of the salesperson of a new supplier will be uncertain. Therefore, the working experience and performance of a supplier's salesperson is expected to create switching costs and dependence on the supplier.

H_{4a}: The salesperson's performance has a positive effect on the buyer's perception of dependence on the supplier.

H_{4b}: The perceived dependence on the supplier has a positive effect on the buyer's motivation to continue the business relationship.

Behaviors and Skills Affecting Salesperson Performance

As noted above, the sales research literature distinguishes between salesperson outcome performance and salesperson behavioral performance (Churchill et al. 1985, Cravens et al. 1993). In this section we will discuss the behavioral performance, that is behavior and skills related to the salesperson's relationship manager role (Crosby, Evans, and Cowles 1990) affecting his or her outcome performance with respect to the relationship. Recall that one aspect of salesperson performance is to realize the relational objectives and to promote cooperation. From a review of the literature in sales management (Behrman and Perreault 1982; Cravens et al. 1992; 1993; Crosby, Evans, and Cowles 1990; Weitz 1981), channel research (Anderson and Narus 1990), relational contracting (Dwyer, Schurr, and Oh 1987; Macneil 1978), and sociology (Granovetter 1985; Larson 1992, Ring and Van de Ven 1994) we identified five salesperson behaviors and skills that reflect different parts of a salesperson's role within an established buyer-seller relationship. These are (1) information exchange, (2) personal relationship, (3), conflict resolution, (4) customer knowledge, and (5) aggressive sales influence. Each of these behaviors and skills and their effect on salesperson behavior is discussed below.

Information Exchange and Salesperson Performance

Information exchange refers to the behavior of the salesperson in terms of mediating operative information between the two firms. The literature in various research disciplines such as sociology (Granovetter 1985; Larson 1992; Ring and Van de Ven 1994), relational contracting (Dwyer, Schurr, and Oh 1987; Macauley 1963), and economics (Williamson 1985) identifies information exchange or communication as a means for the well functioning of interfirm relationships. In this vein it is interesting to note that efficiency in both market and relational governance relies on shared or symmetric information among the parties. An open exchange of information may build trust (Morgan and Hunt 1994), while asymmetric information is claimed to be a major source of opportunism (Williamson 1985). Interfirm cooperation in close buyer-seller relationships involves the exchange of information needed to coordinate the operations in the relationship, such as exchange of production schedule information, sales forecasts, prices, and calculations (Anderson and Narus 1990; Farmer and MacMillan 1976; Metcalf, Frear, and Krishnan 1992; O'Neal 1989). Exchange of information is also suggested to be an important element of both traditional industrial selling and selling within relationship marketing (Anderson and Weitz 1989; Behrman and Perreault 1982; Crosby, Evans, and Cowles; Frazier and Rody 1991; Metcalf, Frear, and Krishnan 1992). The salesperson of the supplier provides the buyer with information and recommends sets of actions whereby the buyer can be more profitable by development and adaptation of products, coordination of plans, joint learning, and prevention and correction of failures (Frazier and Summers 1984; O'Neal 1989). Thus we propose:

> H_{5a}: The more a salesperson uses information exchange as a part of his or her mode of behavior with the buyer, the better the buyer perceives the salesperson's performance to be.

Personal Relationship and Salesperson Performance

Personal relationship refers to the ability to get along with various functions at the buyer's company as well as the perceived similarity of the salesperson in terms of values, reasoning, and norms (Bonoma and Johnston 1978; Ford 1980; Metcalf, Frear and Krishnan 1992; Rand and Wexley 1975; Weitz 1981; Wilson 1995). While economists claim that appropriate design of economic incentives can produce interfirm cooperation (Kranton 1996; Williamson 1985), sociologists have explored the effects of interpersonal relationships (Granovetter 1985, Larson 1992, Seabright, Levinthal, and Fichman 1992). In general, Granovetter (1985) state that all economic activity between firms are embedded in social relations. More specifically, Larson (1992) found that personal relationships were central to both establishing, maintaining and enhancing relationships among firms, and Seabright, Levinthal, and Fichman (1992) posit interpersonal relationships to be a source of individual attachment. The development of interorganizational relationships is proposed to be "grounded in the motivational and cognitive predisposition of individuals to engage in sense-making and bonding processes" (Ring and Van de Ven 1994, p. 99). The sense-making process results in congruent expectations and agreement on norms. Such development is important because it may produce congruent directions for the working relationship (Anderson and Weitz 1989; Frazier, Spekman, and O'Neal 1988; Heide and John 1992). According to Ford (1980), personal interactions are essential to the continuation of business relationships, and relationship failures can be traced to boundary-personnel problems or turnover. Personal relationships are also expected to contribute to the creation of goodwill and trust, which in turn contribute to the relationship as a risk-reducing mechanism (Bradach and Eccles 1989; Håkansson and Östberg 1975; Macaulay 1963). Perceived similarity is suggested to be an element of both a personal relationship (Byrne and Nelson 1965; Rand and Wexley 1975) and of personal selling (Weitz 1981). Research in psychology (Rand and Wexley 1975) has found that personal similarity could cause a positive evaluation of perceived performance of other persons, while Crosby, Evans, and Cowles (1990) found that personal similarity affected sales effectiveness within a relational context in the life insurance industry. However, previous studies have used physical as well as psychological and cultural dimensions of similarity in their similarity measurements (Crosby, Evans, and Cowles 1990; Rand and Wexley 1975). As noted by Crosby, Evans, and Cowles (1990), the psychological and cultural dimension of similarity might be a more long-term aspect than the physical similarity dimensions also included in other studies using this construct. Hence, we included only the psychological and cultural dimension of similarity in our construct. Summing up this argumentation, we propose:

> H_{5b}: A positive perception of the personal relationship with the salesperson will have a positive effect of the evaluation of salesperson performance.

Conflict Resolution and Salesperson Performance

Conflict resolution refers to the salesperson's ability to minimize the negative consequences of actual and potential conflicts. Within a buyer-supplier relationship, conflict as a consequence of different perceptions of goals and roles is as common as misunderstandings and incorrect deliveries (Dwyer, Schurr and Oh 1987; Macneil 1978). Conflict can be destructive, with hostility, bitterness, and isolationism resulting. However, a total suppression of conflict can result in a relationship that lacks vitality and does not develop into more fruitful cooperation. The question is how conflict should be avoided or resolved. Williamson (1996, p. 50) states, "governance is the means by which order is accomplished in a relation where potential conflict threatens to undo or upset opportunities to realize mutual gains." Transaction cost (e.g., Williamson 1985) and agency theory (e.g., Bergen, Dutta, and Walker 1992) suggest incentives as mechanisms to align parties with conflicting interests. Research on relational contracting (Macaulay 1963; Macneil 1978) and sociology (Ring and

Van de Ven 1994) suggest that parties must resolve disputes by private settlements when the preservation of the relationship is an objective. In this vein Anderson and Narus (1990) suggest that boundary personnel should be trained in conflict resolution to solve conflicts before they reach their manifest state. Hence, we propose that conflict resolution should be a skill of the salesperson in a relationship management context.

> H_{5c}: The salesperson's contribution to resolving conflicts between the selling and buying firms will have a positive effect on the perceived performance of the salesperson.

Customer Knowledge and Salesperson Performance

By customer knowledge is meant the buyer's perception of the salesperson's knowledge of various aspects of the buyer's business such as its production methods, products and their application as well as its market situation and the market performance of the buyer's products. Seabright, Levinthal, and Fichman (1992) note that sources of individual attachment include personal skills and knowledge. From social exchange theory the related construct expertise is considered as one of the basic sources of influence (French and Raven 1959), with positive effect on satisfaction (Gaski 1984). Marketing and relationship literature identifies salesperson competence or expertise to be an important variable in sales (i.e., Behrman and Perreault 1982; Cravens et al. 1992; O'Neal 1989). Studies of relational selling and salesperson performance (Crosby, Evans, and Cowles 1990; Sujan, Weitz, and Kumar 1994), show that customer knowledge or expertise has been positively related to sales effectiveness. Knowledgeable salespeople are better able to communicate, which in turn reduces uncertainty and leads to more trust within the relationship (Anderson and Weitz 1989; Crosby, Evans, and Cowles 1990; Lagace, Dahlstrom, and Gassenheimer 1991; Swan, Trawick, and Silva 1985). However, the concept of expertise is complex and compound. We therefore limit expertise to the salesperson's knowledge of the buyer in terms of the buyer's firm and production technology, markets, competitors, and industry. Such knowledge is necessary to understand buyer needs and relate them to supplier firm capabilities to create customer value (Webster 1991). Hence we propose:

> H_{5d}: The salesperson's knowledge of the customer's operations will have a positive effect on the buyer's perception of salesperson performance.

Aggressive Sales Influence and Salesperson Performance

Aggressive sales influence refers to the salesperson's use of pressure and aggressiveness to achieve sales. Aggressive sales influence is often associated with traditional "foot-in-the-door " sales behavior. The salesperson typically tries to convince the buyer to order larger quantities or to order earlier than originally planned and generally focus on sales and order taking in the customer interaction. This behavior can be motivated by the peers of the salesperson pressuring him or her to sell extra units within a period of time to save a budget or achieve a bonus that depends on sales. The construct is derived from the sales literature (Weitz 1981, p. 92) noting that "the use of control or pressure is a method of aggressively directing the flow of the interaction toward making a sale" and "the salesperson aggressively structuring the customer's problem so that the solution involves purchasing the salesperson's product." Furthermore Weitz (1981) posits that this type of behavior frequently direct the interaction toward an outcome that is more compatible with the needs of the salespeople than the needs of the customer, but that it might violate customer satisfaction. Williamson (1975, from Granovetter 1985, p. 495) make a similar statement, "Repeated personal contacts across organizational boundaries support some minimum level of courtesy and consideration between the parties...In addition, expectations of repeat business discourage to seek a narrow advantage in any particular transaction... Individual aggressiveness is curbed by the prospect of ostracism among peers in both trade and social circumstances." Summing up this argumentation we propose:

> H_{5e}: A perceived aggressive salesperson behavior will have a negative effect on the buyer's perception of salesperson performance.

Methods

The data used to test the hypotheses were collected in a mail survey of industrial buyers. We wanted the population selected for the study to reflect a variety of purchasing practices to avoid biases due to using a specific industry or one or a few dominating suppliers. An extensive questionnaire was mailed to a total of 576 companies. These were selected from databases covering the information technology industry, the apparel and sports equipment industry, the food processing industry, manufacturers of chemicals and of cosmetics, the pharmaceutical industry, and miscellaneous other industries. The informant was the person responsible for purchases of the product category in question. In order to generalize from the data, our main premise was that relational selling behavior should apply to various categories of purchased goods. Thus, the informant was asked to identify a supplier of packaging, a supplier of component parts, and a supplier of accessories. For each of the three chosen suppliers, informants were asked to evaluate the supplier's salesperson on several behaviors in addition to characteristics of the buyer-supplier relationship. If suppliers for only one or two of the product categories could be identified, the informant was asked to evaluate those suppliers.

Qualitative interviews with two sales managers and two purchasing managers within different industries, a total of four interviews, were conducted prior to the main study. The purpose of the qualitative interviews was to get deeper insight about the selling role in buyer-seller relationships as perceived from both the seller and the buyer side, to discuss the appropriateness of the hypotheses derived from the literature review, and to generate items to measure the constructs. Furthermore, the prestudy indicated that the person responsible for purchases was the one having the best overview and knowledge of the supplier relationships, and that the purchasing managers considered themselves to be the most appropriate to provide the type of information wanted. That observation is in accordance with the experience of other researchers studying industrial buyer-seller relationships (Anderson and Weitz 1989; Heide and John 1990). Hence, the person in charge of purchasing was expected to have the qualifications to serve as key informant (Campbell 1955). The informants were encouraged to confer with their colleagues, if necessary, in completing the questionnaire.

The questionnaires together with a prepaid self-mailing response envelope, and a cover letter, explaining the purpose of the survey were mailed personally addressed to the purchasing managers within the selected companies. After three weeks, non-respondents received a copy of the questionnaire together with a prepaid response envelope and a another cover letter. In return for their cooperation, informants were promised a short version of the report from the study. This procedure produced completed questionnaires from 126 companies (a response rate of 22%). We evaluated nonresponse bias by comparing early and late responders, following the procedure suggested by Armstrong and Overton

(1977). No significant differences were found on such variables as sales volume, number of employees, supplier dependence, and motivation to continue the relationship, suggesting that nonresponse bias was not a problem. A total sample of 279 relationships was collected. Thus, on average each informant evaluated about two relationships.

Development of Measures

The measures were developed based on a literature review and the reported in-depth qualitative interviews. Then the questionnaire for the survey was developed and pretested. All measures used in the study are reported in the Appendix.

Continuation of the relationship (CONTIN). Continuation of the relationship was defined as the buyer's commitment to a future relationship with the supplier. That definition of continuity is consistent with the ones used in other empirical research on interorganizational relationships (Anderson and Weitz 1989; Heide and John 1990). The scale consisted of three items tapping (1) motivation to continue the cooperation with the supplier, (2) what it takes to break the relationship, and (3) intention to purchase an equal or larger share from the supplier.

Salesperson performance (SALPER). Salesperson performance refers to the salesperson outcome performance related to the interactions with the buyer. We therefore developed an overall measure of salesperson outcome performance to capture the relational perspective of the study inspired by Crosby, Evans, and Cowles (1990). The scale items were (1) evaluation of the salesperson's achievements of results within the buying company, (2) ability to strengthen the supplier's position, and (3) overall satisfaction with the salesperson.

Reliability of the supplier (RELIAB). Reliability of the supplier refers to the ability to fulfill the terms agreed upon for deliveries of goods and services. The scale was built on the work of Lambert and Sterling (1987) and consisted of four items, (1) fulfilling quality norms, (2) timely delivery, (3) delivery of agreed-upon quantity, and (4) keeping agreed-upon prices.

Supplier services (SUPSER). We defined supplier services as the perceived ability of the supplier to deliver forms of services beyond the core "contractual" product or service. The scale consisted of four items pertaining to whether the supplier (1) provides technical services related to the use of the supplier's products (2) contributes to solving production problems, (3) contributes to solving problems when products or product specifications are changed, and (4) contributes to new and efficient constructions for products.

Dependence (DEPEND). Dependence was defined as the difficulty the buyer perceives in replacing the supplier with another supplier due to perceived switching costs (i.e., Jackson 1985, p. 13) and relationship specific investments (i.e., Johanson, Hallén, and Seyed-Mohamed 1991). The three scale items reflected (1) perceived physical and/or mental costs of switching suppliers, (2) perceived asset-specific investments in production and/or administrative routines, and (3) perceived dependence on the supplier.

Information exchange (INFEXC). We defined information exchange behavior of the salesperson in terms of mediating operative information between the two firms. The items on this scale partly build on the scales used by Anderson and Narus (1990). The scale consisted of two items related to (1) providing operative information from the supplier and (2) acquiring operative information from the buyer.

Personal relationship (PERSON). Personal relationship addresses the ability to get along with various functions at the buyer's company as well as the perceived similarity of the salesperson in terms of values, reasoning, and behavior (Bonoma and Johnston 1978; Ford 1980; Metcalf, Frear and Krishnan 1992; Rand and Wexley 1975; Weitz 1981; Wilson 1995). The scale items reflected four issues: (1) the perceived professional personal relationship between the purchaser and the salesperson, (2) the salesperson's ability to get along with members of the buyer's organization, (3) the similarity in values, norms, and reasoning between the purchaser and the salesperson, and (4) the salesperson's understanding of the buyer's cultural business mentality.

Conflict resolution (CNFLCT). Conflict resolution was defined as the salesperson's ability to minimize the negative consequences of actual and potential conflicts. That definition is in line with Dwyer, Schurr, and Oh's (1987). The two scale items reflected (1) ability to avoid potential conflicts and (2) ability to resolve actual conflicts before they create problems.

Customer knowledge (CUSKNO). We defined customer knowledge as the buyer's perception of the salesperson's knowledge of various aspects of the buyer's business. The measure was inspired by (Anderson and Weitz 1989; Behrman and Perreault 1982; Cravens et al. 1993; Williams and Seminerio 1985), but developed based on after the in-depth qualitative interviews. The three scale items were (1) knowledge about buyer's organization and production methods, (2) knowledge about buyer's products and their application, and (3) knowledge about the market for the buyer's products.

Aggressive sales influence (AGRINF). Aggressive sales influence was defined as the salesperson's use of pressure and aggressiveness to achieve sales. The construct was inspired by the literature (e.g., Weitz 1981) and on information from the qualitative in-depth interviews suggesting that salespeople are sometimes pressured by their peers to achieve short-term sales objectives by any possible means. The three scale items reflected the degree to which the salesperson (1, 2) focuses on pushing products, even when the buyer tells there is no need and (3) engages in aggressive behavior.

Ten scales were computed by taking the mean of the items of the theoretical scales. Statistical descriptions of the 10 scales are given in Table 3.1. Skewness and kurtosis statistics indicate that the scales follow a normal distribution. The reliability coefficients exceed or are close to the recommended level of .7 (Nunnally 1978).

Table 3.1: Statistical Description of Estimated Scales

	Number of items	Mean	S.D.	Skewness	Kurtosis	Reliability
CONTIN	3	4.60	.87	-.64	.46	.67
SALPER	3	4.51	.87	-.57	.12	.83
RELIAB	4	5.00	.67	-.66	.49	.78
SUPSER	4	3.94	1.14	-.44	-.18	.81
DEPEND	3	2.72	1.26	.54	-.44	.75
INFEXC	2	3.65	1.35	-.15	-.79	.65
PERSON	4	4.50	.83	-.94	1.13	.70
CNFLCT	2	4.65	.89	-.76	.67	.78
CUSKNO	3	3.72	1.23	-.09	-.89	.83
AGRINF	3	2.59	1.16	.48	-.59	.83

We tested convergent and discriminant validity of the scales by a confirmatory factor analysis procedure recommended by Anderson and Gerbing (1988). Convergent validity was assessed by goodness-of-fit indices and t-values associated with individual items of the scale. We performed confirmatory factor analysis for all 10 scales by using the maximum likelihood procedure in LISREL VII. The estimated measurement model is reported in Table 3.2. All item coefficients (loadings) are significant ($p < 0.000$). Chi-square for the total measurement model is 790.31 with 389 degrees of freedom ($p = 0.000$). The adjusted goodness-of-fit index is .793 and the root mean square residual is .096. The overall fit of the measurement model is only moderate. However, the chi-square measure is very sensitive to large sample sizes and the number of variables in the model. Given the large sample size (279 observations) and the large number of variables (30), chi-square statistics of such magnitude can be expected even if the data fit the underlying model very well. Also, the normed chi-square (chi-square/d.f.) is 2.03, which is only slightly above the recommended level of 1.0 to 2.0. In addition, when we assessed the model fit in pairwise comparison tests (Tables 3.4 and 3.5), the AGFI index was above .90 for 16 of the 20 models. We therefore concluded that the theoretical measurement model fits the data reasonably well.

Table 3.3 is the correlation matrix for the measures.

Table 3.2: Measurement Model (Standardized Coefficients) Estimated by LISREL VII

	CONTIN	SALPER	RELIAB	SUPSER	DEPEND	INFEXC	PERSON	CNFLCT	CUSKNO	AGRINF
E1	.845									
E2	.642									
E3	.507									
E4		.686								
E5		.809								
E6		.800								
E7			.723							
E8			.796							
E9			.664							
E10			.540							
E11				.679						
E12				.796						
E13				.703						
E14				.701						
E15					.760					
E16					.673					
E17					.689					
K1						.754				
K2						.634				
K3							.537			
K4							.728			
K5							.535			
K6							.681			
K7								.850		
K8								.763		
K9									.785	
K10									.782	
K11									.802	
K12										.826
K13										.839
K14										.716

Table 3.3. Correlation Matrix of Measures

	CONTIN	SALPER	RELIAB	SUPSER	DEPEND	INFEXC	PERSON	CNFLCT	CUSKNO	AGRINF
CONTIN	1.000									
SALPER	.568	1.000								
RELIAB	.484	.440	1.000							
SUPSER	.351	.468	.335	1.000						
DEPEND	.229	.098**	.012**	.256	1.000					
INFEXC	.382	.414	.304	.441	.182	1.000				
PERSON	.485	.689	.375	.432	.001**	.382	1.000			
CNFLCT	.455	.688	.428	.403	-.086**	.326	.633	1.000		
CUSKNO	.411	.513	.302	.474	.243	.456	.504	.392	1.000	
AGRINF	-.305	-.244	-.268	-.227	-.018**	-.171*	-.325	-.271	-.239	1.000

*Significant GE .05 **Not significant

Discriminant validity was assessed by pairwise comparisons of the exogenous and endogenous scales. Discriminant validity can be assessed for two estimated constructs by constraining the estimated correlation parameter between them to 1.0 and then performing a chi-square difference test on the values obtained for the constrained and unconstrained models. "A significantly lower chi-square value for the model in which the trait correlations are not constrained to unity would indicate that the traits are not perfectly correlated and that discriminant validity is achieved" (Bagozzi and Philips 1982).

For each pair of the five endogenous scales (CONTIN, SALPER, RELIAB, SUPSER, and DEPEND) and the five exogenous scales (INFEXC, PERSON, CNFLCT, CUSKNO, and AGRINF), we conducted chi-square difference tests. The results are reported in Tables 3.4 and 3.5. All comparisons showed a large and significant drop in chi-square from the constrained to the unconstrained model, indicating discriminant validity of the scales. We therefore decided to keep the scales as originally developed.

A complementary assessment of discriminant validity was done by testing whether the confidence interval (± two standard errors) around the correlation estimated between the pair of scales included 1.0 (Anderson and Gerbing 1988). None of the confidence intervals around the estimated correlations between the pairs of scales included 1.0 (± two standard errors).

Table 3.4: Chi-square Difference Between Each Pair of Endogenous Variables Calculated by LISREL VII

	Constrained		Unconstrained	
	d.f.	Chi-square	Chi-square	AGFI
CONTIN vs. SALPER	9	52.54	8.91	.970
CONTIN vs. RELIAB	14	89.83	29.29	.933
CONTIN vs. SUPSER	14	152.15	48.57	.884
CONTIN vs. DEPEND	9	150.32	33.87	.899
SALPER vs. RELIAB	14	196.35	34.44	.927
SALPER vs. SUPSER	14	179.21	27.31	.935
SALPER vs. DEPEND	9	308.27	13.55	.957
RELIAB vs. SUPSER	19	195.54	57.34	.905
RELIAB vs. DEPEND	14	327.40	25.19	.948
SUPSER vs. DEPEND	14	179.21	27.73	.950

Table 3.5: Chi-square Difference Between Each Pair of Exogenous Variables Calculated by LISREL VII

	Constrained		Unconstrained	
	d.f.	Chi-square	Chi-square	AGFI
INFEXC vs. PERSON	9	56.95	18.87	.935
INFEXC vs. CNFLCT	2	53.68	1.84	.965
INFEXC vs. CUSKNO	5	49.39	14.69	.918
INFEXC vs. AGRINF	5	71.85	5.24	.972
PERSON vs. CNFLCT	9	35.70	19.87	.931
PERSON vs. CUSKNO	14	129.15	56.78	.870
PERSON vs. AGRINF	14	195.27	52.41	.882
CNFLCT vs. CUSKNO	5	135.82	16.53	.914
CNFLCT vs. AGRINF	5	138.02	7.17	.960
CUSKNO vs. AGRINF	9	321.97	26.81	.921

Sample Characteristics

The resulting sample appeared to be evenly distributed across company size and industry, indicating no specific company or industry bias in the data. The most common purchasing practice was to buy from one or two suppliers within each product category. Across purchasing categories, 82% of the companies bought packaging from no more than two suppliers. For component parts the proportion was 66% and for accessories it was 75%.

Furthermore, the ordering was guided by administrative routines, either production plans (packaging and component parts) or out-of-stock situations (accessories). In only a few cases did informants report ordering as a direct result of sales calls. The average duration of cooperation with the packaging and component part suppliers was 12 years. Cooperation with suppliers of accessories appeared to be of shorter duration, with an average of six years. Thus, the sample reflects our theoretical assumptions for the study, so generalizing from the results should be possible.

Results

We estimated the model including both exogenous and endogenous variables by using LISREL VII. Chi-square for the model with 412 d.f. is 876.69 ($p < 0.05$) and the adjusted goodness-of-fit index is .777, indicating a moderate fit of the theoretical model. The explained variance of the salesperson performance variable is 91% (adj. $R^2 = .91$) and of the continuity variable 75% (adj. $R^2 = .75$). Inspection of modification indices larger than 5 suggest structural paths between SUPPLIER SERVICES and DEPENDENCE (*m.i.* = 15.66), from CONTINUITY to SUPPLIER SERVICES (*m.i.* = 11.85), from CONFLICT RESOLUTION to DEPENDENCE (*m.i.* = 17.79), from INFORMATION EXCHANGE to SUPPLIER SERVICES (*m.i.* = 15.92), from CUSTOMER KNOWLEDGE to SUPPLIER SERVICES (*m.i.* = 13.07), from CUSTOMER KNOWLEDGE to DEPENDENCE (*m.i.* = 19.57), and from AGGRESSIVE SALES INFLUENCE to CONTINUITY (*m.i.* = 8.10). Thus, a better fit of the model could be achieved through a redefinition of structural paths, but we decided to keep the original model. We comment on the modification indices in the discussion section.

The estimated paths of the endogenous and exogenous variables are reported in Table 3.6. The effect of salesperson performance on business continuity is not only significant ($p <$ 0.000), but also very strong ($\beta = .591$), supporting *H1*. Salesperson performance affects the perceived reliability of the supplier and perceived reliability of the supplier has the hypothesized effect on business continuity, supporting the hypotheses *H2a* and *H2b*. As hypothesized in *H3a* supplier services is affected by salesperson performance, while contrary to our expectations, supplier services does not affect business continuity, and *H3b* is rejected. Salesperson performance does not have the expected effect on dependence on the supplier, and *H4a* is rejected. Finally, dependence on the supplier has a positive effect on continuity, supporting *H4b*.

Table 3.6: Estimated Structural Model - Standardized Beta Coefficients

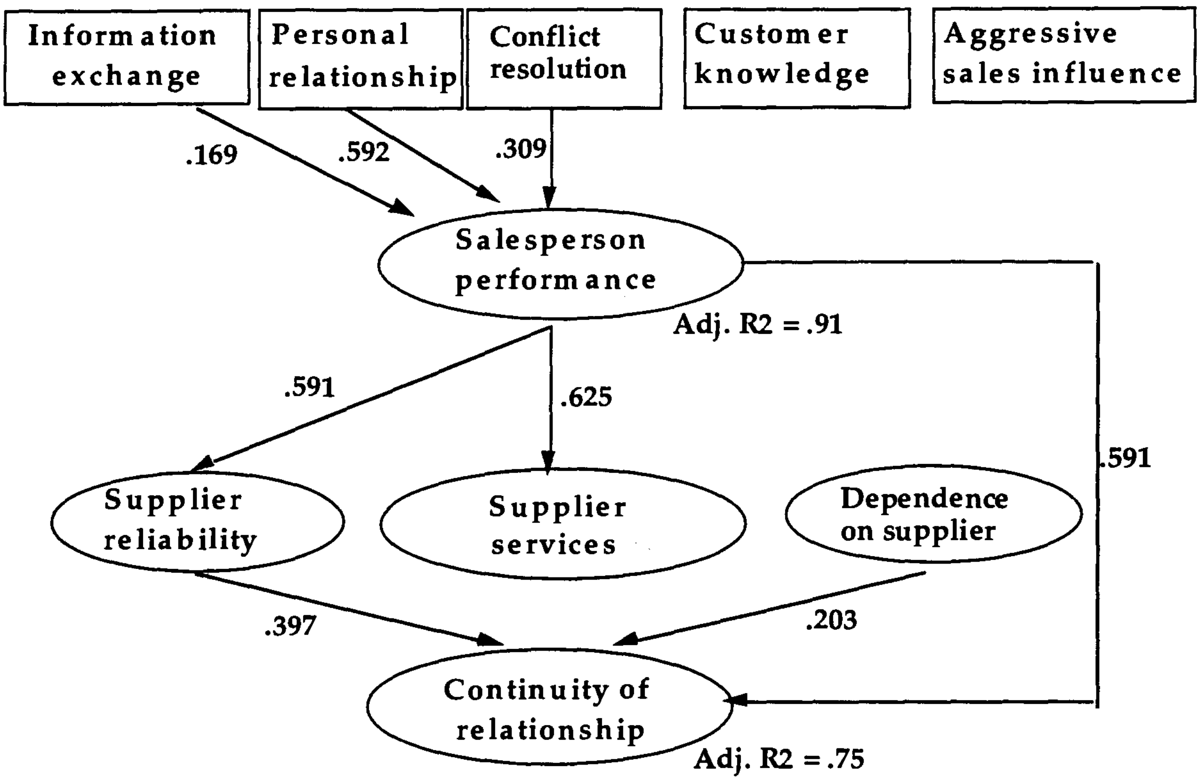
Path	Estimate	t-value	Support for hypotheses
SALPER on CONTIN	.591	6.006	H1 supported
SALPER on RELIAB	.591	7.096	H2a supported
RELIAB on CONTIN	.397	5.078	H2b supported
SALPER on SUPSER	.625	7.823	H3a supported
SUPSER on CONTIN	-.111	-1.456	H3b not supported
SALPER on DEPEND	.096	1.267	H4a not supported
DEPEND on CONTIN	.203	3.436	H4b supported

Estimated Structural Model - Standardized Gamma Coefficients

Path	Estimate	t-value	Support for hypotheses
INFEXC on SALPER	.169	2.107	H5a supported
PERSON on SALPER	.592	3.603	H5b supported
CNFLCT on SALPER	.309	2.379	H5c supported
CUSKNO on SALPER	-.007	-.091	H5d not supported
AGRINF on SALPER	.041	.824	H5e not supported

Table 3.6 also report the estimated effects of the exogenous variables, salesperson behaviors and skills, on salesperson outcome performance. Information exchange and personal relationship have significant effects, supporting *H5a* and *H5b*, with personal relationship as the strongest effect with an estimated coefficient of .592 ($p < 0.000$). Also conflict resolution have a significant effect, supporting *H5c*, while the expected positive effect of customer knowledge is not supported and *H5d* is rejected. Furthermore, the expected negative effect of aggressive sales influence is not confirmed and *H5e* is also rejected. The results are summarized in Figure 3.2.

Figure 3.2: Final Model of the Estimated Antecedents and Consequences of Salesperson Performance



Discussion and Suggestions for Future Research

Theoretical Implications

The results from the study demonstrate the central role of the salesperson in maintaining continuity in established relationships, which parallels the results in past research on the significance of interpersonal attachments (Anderson and Weitz 1989; Larson 1992; Seabright, Levinthal, and Fichman 1992). Furthermore, the results supports the perception that relational cooperation is enhanced by a combination of structural bondings and interpersonal relationships (e.g., Berry 1995). The findings do not support the view that the salesperson is superfluous in established relationships characterized by a high degree of repetitive transactions. Salesperson performance affects the buyer's desire for business continuity both directly and indirectly through supplier reliability, underscoring the coordinator and relationship manager role of the salesperson proposed in the literature (O'Neal 1989; Crosby, Evans, and Cowles 1990; Webster 1992). The fact that the buyer also perceives the salesperson to influence supplier services reinforces that role. However, the study also shows that the performance of the salesperson is moderated by other organizational functions and by characteristics of the buyer-seller relationship (Crosby and Stephens 1987; Gummesson 1991; Weitz 1981). In spite of the significant effect of the salesperson performance on continuity, the salesperson did not influence the buyer's perceived dependence on the supplier, which contradicted our hypothesis. Thus, a good salesperson is a positive factor for the continuation of the relationship, but does not act as a barrier to switching. However, inspection of the modification indices suggests an effect of the salesperson's customer knowledge and skills in conflict handling on dependence. These effects indicate that relationship specific competence of the salesperson could influence dependence on the supplier, as hypothesized, while the other salesperson behaviors and skills seem to enhance the relationship rather than create switching barriers.

Reliability of the supplier acts as both a mediator and moderator of salesperson performance. As the results of this study indicate, the purchases of the buyers to a large extent are governed by production plans. The buyers therefore have to rely on their suppliers for the effective functioning of their firms. Reliability could be perceived as certainty in the provision of supply both with respect to quality, quantity, and time. The positive effect of reliability might therefore be seen as a reduction of uncertainty and transactions costs, being important elements of relational cooperation (Heide 1994). The finding that perceived dependence on the supplier influences the buyer's motivation to continue the relationship might not be surprising. Several studies support that result (i.e., Ganesan 1994; Johanson, Hallén, and Seyed-Mohamed 1991). More surprising is the finding that supplier services do not affect continuity. However, inspection of the modification indices suggests that supplier services affect dependence and therefore have an indirect effect on continuity. One explanation can be that supplier services affect continuity only to the degree that they serve as a means of differentiation from competing suppliers and can be regarded as relationship-specific activities. Although services intended to support the buyer do not have a direct effect on relationship continuity, they may be important as facilitators for developing a dialogue with the customer and giving the supplier information and understanding of current and future customer needs (Kohli and Jaworski 1990). However, the lack of a direct effect on continuity implies that managers should be careful about how resources are allocated to such services (Anderson and Narus 1991; 1995).

Among the selling behaviors and skills investigated in this study, we find that personal relationships, ability to resolve conflicts, and ability to mediate information are key determinants of salesperson performance within established relationships. Those factors indicate the importance of the salesperson's abilities in managing the relationship process, as well as they reflect the bi-directional and cooperative aspect of relationship selling (Crosby, Evans, and Cowles 1990). Surprisingly, the salesperson's customer knowledge did not have the expected effect in our study. A plausible explanation may be that knowledge or competence works through information exchange as a facilitator, and by itself does not have an effect (Anderson and Weitz 1989). Furthermore, the modification indices indicate that customer knowledge has a direct effect on supplier services and dependence on the supplier. This suggests that a salesperson who has good knowledge about the customer's needs may be perceived to be successful in managing and providing competence resources from other organizational functions such as R&D, production, and logistics. Use of aggressive selling techniques does not seem to have the expected negative effect when we control for the effects of other salesperson characteristics. However, it is important to note that the effect is not positive either. The raw correlation between aggressiveness and salesperson performance is negative, and the modification indices suggest a direct, negative path between aggressiveness and continuity. Salespersons should therefore be careful about using such techniques when the objective is to achieve a cooperative business relationship.

When summing up our results, three of five hypothesized effects of selling behaviors and skills on salesperson performance in the investigated relationships were confirmed. However, the modification indices suggest other paths than hypothesized. These results indicate that the proposed behaviors and skills variables might affect the relationship, even if they are not mediated by our salesperson performance measure.

Managerial Implications

Our study illustrates the broad role of the salesperson within established buyer-supplier relationships as "a strategist, a partner, a resource manager, a marketer, a pulse of the company, and a confidant" (Stern and El-Ansary 1992, p. 478), with consequences for recruitment, training, motivating, organizing, and setting objectives for the salesforce. The results suggest that the salesperson has a substantial influence on the buyer's motivation to continue the relationship, and thus on the long-term revenues from the customer. Top managers therefore should recognize the sales function within established relationships as a long-term marketing effort. As noted the results suggests that relational cooperation is enhanced by a combination of structural bondings and interpersonal relationships (Berry 1995; Seabright, Levinthal, and Fichman 1992). In industrial selling the managerial challenge should be to both design the incentives and structures for interfirm cooperation, and to make the cooperation function by coordinating the various functions and departments responsible for fulfillment of agreements and obligations (Gummesson 1991; Kohli and Jaworski 1990). Hence, the sales function must be in a position both formally and informally to execute internal influence and authority.

Our results suggest that services could create switching barriers by increasing dependence on the supplier. One implication could be that by engaging in problemsolving activities the supplier demonstrates willingness to commit competitive resources to the relationship. The challenge of the salesperson will be to commit and develop relationship specific resources which increases the attractiveness of the relationship with the supplier (Anderson and Weitz 1992; Morgan and Hunt 1994). The combination of information exchange and customer knowledge should be appropriate means for developing attractive value adding services.

When discussing sales performance measures in long-term marketing relationships, we recognize the importance of the traditonal sales performance measures. However, these performance measures may be an outcome rather than a determinant of the continuity of the relationship (Crosby, Evans, and Cowles 1990). One important objective for the salesperson is to promote relational cooperation. Hence, a sales performance measure that reflects relationship enhancement should be adopted.

The salesforce management literature has discussed behaviors and skills affecting sales performance (Churchill et al. 1985; Crosby, Evans, and Cowles 1990; Sujan, Weitz, and Kumar 1994; Weitz 1981). Churchill et al. (1985) suggest that characteristics which are influencable through increased training and experience or more effective company policies and procedures might have a greater impact on performance than aptitude and personal/physical traits. They also note the significance of hiring salespeople with previous experience in the same or previous industries. Information exchange and conflict resolution are behaviors and skills that can be influenced by experience and training and therefore should be emphasized in relationship management training. Personal relationship between the salesperson and the buyer, however, might be the combined result of both experience, long-term interactions, and personality traits. The significance of personal relationship in relationship selling, as our results indicate, suggests that managers should be careful both in selecting salespeople that will match the customer (Ouchi 1979; 1980), and in designing policies that will reduce turnover once the right person is selected.

Limitations and Future Research

The results suggest that a better model could be obtained by a respecification. The results also indicate that the measure of salesperson performance as in long-term relationships could be improved, as well as some scales with marginal reliability. A more general limitation is the direction of the causal paths when using a survey method to study interorganizational processess. As other researchers have observed (e.g., Anderson 1995) variables that are antecedents at one stage of the process, become outcomes at another stage. One example is satisfaction and cooperation. Satisfaction stimulates cooperation which in turn affects satisfaction. Specific to our study are the paths between salesperson performance and supplier reliablity and services. Our argument is that performance affects supplier reliability and services. However, it might be possible that the process goes like this: The salesperson cooperate with other organizational functions. When they act as promised, by reliable deliveries or value adding activities, the salesperson get the credit and is perceived to be a good performer. The study of Crosby and Stephens (1987) support both causal possibilities.

One direction for future research could therefore be to develop a better measure for salesperson performance in long-term marketing relationships where both relational, financial and other aspects are taken into consideration. Another direction for future research is the further development of a contingency framework and exploration of different types of relationships. For example, researchers could explore how balanced versus imbalanced dependency (i.e., Buchanan 1992; Cook and Emerson 1984) influences the effect of various salesperson behaviors and skills on relationship continuity. Other typologies could be related to differences across industries (Jackson 1985), bilateral or unilateral relationships (Heide 1994), and maturity of the relationship (Ring and Van de Ven 1994). Researchers should also explore how marketing functions in general change as the nature of buyer-seller relationships changes, in terms of both the content of the functions and their effect on marketing objectives.

A third direction for future research is to explore the nature and effectiveness of salesperson behaviors in partner type of relationships characterized by high levels of interdependence and risk sharing. Bonoma (1976) suggested that a joint utility function distinguishes close bilateral relationships from looser forms. The mere existence, formation, and nature of such a joint utility function could be important dimensions to investigate further. Some leading companies such as IBM employ key-account managers to handle large accounts and strategic customers. We believe many companies today want more knowledge about the role of the salesperson in buyer-seller partnerships.

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Appendix

Scale Items

E1. Continuation of the relationship (CONTIN)

(3-item, 6-point scale; items 1 and 2 anchored by 1 = "Completely disagree" and 6 = "Completely agree" and item 3 anchored by 1 = "Very little likely" and 6 = "Very likely")

1. Our firm will very much like to continue to cooperate with this supplier in the future!

2. It has to be a major thing if our firm should stop buying from this supplier!

3. How large is the probability of buying an equally large or larger share of the product/components from this supplier next year?

E2. Salesperson performance (SALPER)

(3-item, 6-point scale anchored by 1 = "Completely disagree" and 6 = "Completely agree")

4. The salesperson is achieving good results within this company!

5. The salesperson is strengthening the supplier's position within this company!

6. We are very satisfied with the salesperson from this supplier!

E3. Supplier reliability (RELIAB)

(4-item, 6-point scale anchored by 1 = "To a very little degree" and 6 = "To a very high degree")

7. The supplier is fulfilling the quality norms as agreed upon!

8. The supplier is delivering according to the schedule agreed upon!

9. The supplier is delivering the quantities as agreed upon!

10. The supplier keeps the appointed price!

E4. Supplier services (SUPSER)

(4-item, 6-point scale anchored by 1 = "To a very little degree" and 6 = "To a very high degree")

11. The supplier provides our company with technical services related to the use of the supplier's products.

12. The supplier contributes to solving our production problems related to the application of the supplier's products!

13. The supplier contributes to solving problems when we change our products or product specifications!

14. The supplier contributes to new and efficient solutions for the construction of our products!

E5. Dependence on supplier (DEPEND)

(3-item, 6-point scale anchored by 1 = "Completely disagree" and 6 = "Completely agree")

15. Physical and/or mental costs would be high if we were to change the supplier of the products that we purchase from this supplier!

16. We have made large adjustments in our production and in our coordination routines in order to buy from this supplier!

17. Our company feels very dependent on this supplier!

K1. Information exchange (INFEXC)

(2-item, 6-point scale anchored by 1 = "To a very little degree" and 6 = "To a very high degree")

1. The salesperson provides information about the supplier's stock-situation, production capacity, prices, and calculations.

2. The salesperson acquires or receives information about our stock-situation and expected production/sales.

K2. Personal relationship (PERSON)

(4-item, 6-point scale anchored by 1 = "Completely disagree" and 6 = "Completely agree")

3. The salesperson is a person with whom I have a good personal relation at a professional level!

4. The salesperson gets well along, as a person, with other departments of this company like production, research and development, and marketing.

5. The salesperson is quite similar to me in values and norms, and also in how we reason!

6. The salesperson understands the business mentality of this country!

K3. Conflict resolution (CNFLCT)

(2-item, 6-point scale anchored by 1 = "Completely disagree" and 6 = "Completely agree")

7. The salesperson has the ability to make sure that conflicts don't arise in the working relationship between our two firms.

8. The salesperson has the ability to solve conflicts or disagreements before they create problems in our working relationship.

K4. Customer knowledge (CUSKNO)

(3-item, 6-point scale anchored by 1 = "Completely disagree" and 6 = "Completely agree")

9. The salesperson has good knowledge about our firm and our production methods.

10. The salesperson has good knowledge about our products and their application.

11. The salesperson has good knowledge about the market situation and the market development for our products.

K5. Aggressive sales influence (AGRINF)

(3-item, 6-point scale anchored by 1 = "To a very little degree" and 6 = "To a very high degree")

12. When we interact, the salesperson is concerned only with presenting the product, selling the company's products, and taking orders.

13. The salesperson is aggressive.

14. The salesperson work intensely to make our company buy the supplier's products, even when we tell that we have no need.

Chapter 4

Relational Selling Behavior and Skills in Long-term Industrial Buyer-Seller Relationships*)

Abstract

Marketing is no longer regarded as a series of independent transactions, but as a dynamic process of establishing and maintaining relationships. In spite of the acknowledged importance of relationship marketing, relational selling behavior and skills appear to be understudied. The authors examine how selling behaviors and skills affect relationship continuity. In contrast to much of the literature, which appears to suggest that relational selling behavior and skills are universally effective, their study among industrial customers shows that the effects of some selling behaviors and skills are contingent on the degree of supplier dependence. Personal similarity, for example, is most effective in low dependence relationships, whereas the negative effects of aggressive selling are less in high dependence relationships. Furthermore, the results suggest that communication and conflict handling have a universally positive impact on relationship continuity.

Key words: Relationship marketing, relationship selling, sales force management, business to business marketing

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Introduction

Rather than being regarded as a series of independent transactions, marketing is now viewed as a dynamic process of establishing and maintaining relationships (Anderson and Weitz 1989; Arndt 1979; Dwyer, Schurr, and Oh 1987; Webster 1992). This change in the perception of the marketing function is acknowledged both by academicians and practitioners. Leading companies are now beginning to measure salesperson success not only by units sold, but also by contribution to relationship quality through customer satisfaction (*Business Week* 1992; Fierman 1994).

In spite of the apparent importance of this new perspective of marketing, research has left certain questions unanswered. With a few exceptions (i.e., Crosby, Evans, and Cowles 1990; Lagace, Dahlstrom, and Gassenheimer 1991), little attention has been given to what relational selling behaviors and skills really are and how they affect marketing objectives. In contrast with much of the literature (i.e., Anderson and Narus 1990; Ford 1980; Morgan and Hunt 1994; Webster 1992), which appears to suggest that some behaviors and skills are universally positive or negative, we propose that salesperson behaviors and skills have different effects under different relational conditions.We suggest that the degree of dependence on a particular supplier moderates the effects of some relational selling behaviors and skills.

Characteristics of Relationhips

Continuity

As virtually all companies depend to some extent on repeat business, the antecedents of customers' willingness to buy repeatedly from the same supplier should be of concern to marketers. In relationships where repeat purchases are regulated by contracts, the prolongation of the contract or continuity of the collaboration should be a relationship marketing objective. By "continuity" is meant the willingness of the parties to prolong the collaboration for a finite or indefinite period of time in the future (Anderson and Weitz 1989; Heide and John 1990). A customer's decision to continue a business relationship might be the result of interpersonal relationships, relationship benefits, reputation of the supplier, lack of alternatives, or other factors (Anderson and Weitz 1989; Crosby et al. 1990; Morgan and Hunt 1994). Acknowledging the complexities of such decisions, we concentrate on the effects of certain salesperson behaviors and skills on relationship continuity.

Dependence on Supplier

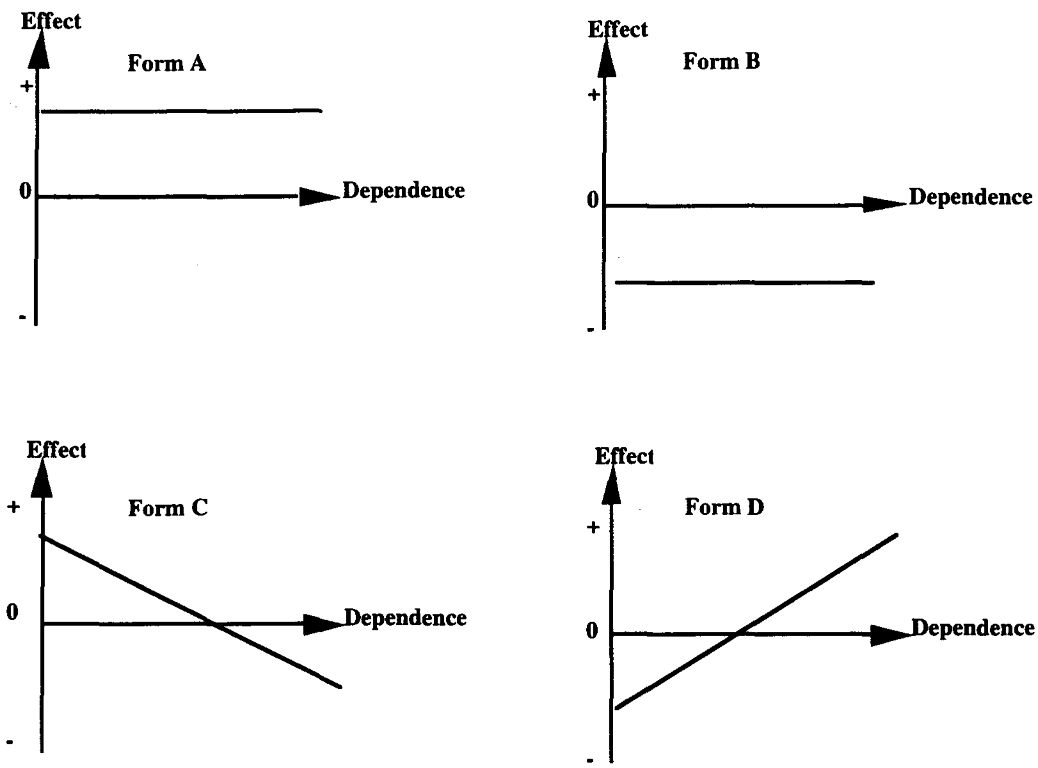
According to Dwyer et al. (1987), relationships generally evolve. As the relationship between two parties develops over time, the parties gain experience and learn to trust each other. Sometimes they will gradually increase their commitment through transaction-specific investments in products, processes, or people dedicated to the particular relationship, thus increasing their level of dependence (Emerson 1962; Johanson, Halléen, and Seyed-Mohamed 1991). Increased commitment and dependence in a relationship influence the effectiveness of the salesperson (Buchanan 1992; Weitz 1981). It has been suggested that firms should employ marketing methods that reflect the nature of dependence in the relationship (Jackson 1985). Therefore the effect of various selling behaviors and skills may be moderated by the customer's dependence on the supplier.

Relationship Continuity as a Function of Selling Behavior

The literature on relationship marketing suggests that the task of the salesperson in a relationship context is to guide the customer through the stages of the relationship-development process, from establishing a business relationship to long-term commitment, with sales being the acknowledgement of the relationship (Crosby et al. 1990; Levitt 1983; Webster 1992). However, in empirical research, salesperson performance has been measured mainly as sales volume or sales value, market share, or the attainment of a sales quota (Behrman and Perreault 1982; Churchill et al. 1985). Conceptualization of salesperson performance has reflected only to a limited extent the relational aspects of selling behaviors and skills. Building on Weitz's (1981, p. 91) definition of salesperson performance as "the degree to which the 'preferred solutions' of salespeople are realized *across their customer interactions,*" we argue that salesperson performance in a relationship context should be related to the salesperson's ability to contribute to the continuation of the relationship or renewal of the contract.

An implicit assumption in the relationship marketing literature seems to be that certain salesperson behaviors always have a positive or negative effect on relationship continuity. However, relationship marketing may also influence the nature of the relationship through increased dependence. Such a change in the nature of the relationship could moderate the effect of some behaviors and skills. Figure 4.1, illustrates several possible patterns of effects of selling behaviors and skills and the customer's motivation to continue the relationship. Forms A and B are universally positive or negative types of behaviors in the sense that their effect on continuity of the relationship will not change as the buyer's dependency increases. However, in forms C and D the effect of the behavior is contingent on the degree of dependence. In form C, the behavior has a positive effect if the degree of dependence is low and a negative effect if the degree of dependence is high. In form D, the behavior has a negative effect if the degree of dependence low, and a positive effect if the degree of dependence is high. In the following discussion, we examine how the customer's degree of dependence on the supplier moderates the effect of salesperson behaviors on relationship continuity.

Figure 4.1.: Effects of Salesperson Behaviors on the Customer's Motivation to Continue the Relationship as a Function of Dependence.



A review of the literature related to salesforce management (e.g., Sujan 1986; Sujan, Weitz, and Kumar 1994; Weitz 1981; Weitz, Sujan, and Sujan 1986) and interorganizational relationships (e.g., Anderson and Narus 1990; Heide and John 1988, 1990; Morgan and Hunt 1994; Noordewier, John, and Nevin 1990) yielded several role descriptions of salesperson (or boundary person) behaviors and skills. The ones we used in the study were communication, conflict handling, personal similarity, sales aggressiveness, and control. For each of those behaviors and skills, we propose both a main effect and an interaction effect on the buyer's motivation to continue the relationship.

Communication. Communication means the exchange of information between supplier and customer. The salesperson may play an active role in mediating communication between the two firms regarding both content and frequency. Several studies suggest that the exchange of information is an important part of both traditional industrial selling and relational selling (Anderson and Weitz 1989; Behrman and Perreault 1982; Crosby et al. 1990; Dwyer et al. 1987; Frazier and Rody 1991; Metcalf, Frear, and Krishnan 1992). However, as the relationship becomes closer and the parties more dependent, research suggests that open communication in the form of exchange of strategic information such as production schedules, sales forecasts, prices, calculations, technical issues, and changes in products and production methods increases in importance (Anderson and Narus 1990; Noordewier et al. 1990; O'Neal 1989).

H_{1a}: To the more degree a salesperson uses communication as a part of his or her mode of behavior with the customer, the more effective the relational selling behavior becomes.

H_{1b}: The effect of communication *increases* as the customer becomes more dependent on the supplier.

Conflict handling. Within a buyer-supplier relationship, conflict as a consequence of different perceptions of goals and roles is as predictable as misperceptions and incorrect deliveries (Dwyer et al. 1987). Conflict can be destructive, with hostility, bitterness, and isolationism resulting. However, a total suppression of conflict can result in a relationship that loses vitality and does not develop into more fruitful cooperation. Anderson and Narus (1990) demonstrate that cooperation and influence over a partner firm have a positive effect on the functionality of conflict. They suggest that boundary personnel should be trained in conflict resolution to solve conflicts before they reach their manifest state. Relationship marketing also demands the establishment of mutually accepted norms of redress (Dwyer et al. 1987). Therefore, conflict handling is suggested to be an important skill in relational selling. As the relationship develops, the number of potential conflicts can be expected to increase because of the greater frequency of transactions and/or more idiosyncratic investments (Reve and Stern 1986). A customer that is totally independent of a supplier might chose to dissolve the relationship when conflicts arise (Dwyer et al. 1987). High dependence in contrast may be an incentive to resolve conflicts, as further cooperation might be more beneficial than dissolution of the relationship (Arndt 1979, 1983; Eisenhardt and Zbaracki 1992).

H_{2a}: The more the salesperson contributes to the resolution of conflicts between the selling and buying firms, the more effective the relational selling behavior becomes.

H_{2b}: The effect of salesperson's ability to resolve conflicts *increases* as the customer becomes more dependent on the supplier.

Personal similarity. Personal similarity is reflected in the nature of the interpersonal contact between the salesperson and the members of the customer's buying centre (Metcalf et al. 1992). Ford (1980) observed several cases in which two firms had complex patterns of relationships involving close personal interaction between and within each company. He found personal interactions to be essential for the continuation of business relationships, and that relationship failures could be traced back to interpersonal problems. The rationale for the expected importance of personal similarity is that it makes solving disagreements easier and reduces communication barriers. Personal similarity is also expected to contribute to the creation of trust, which in turn contributes to the relationship as a risk-reducing mechanism (Bradach and Eccles 1989). Macaulay (1963) observed that many business managers preferred personal trust to formal contracts. Personal similarity is often regarded as being particularly important in the formation stage of a relationship because it may induce confidence and trust when there are few other cues with which the parties can evaluate each other (Bonoma and Johnston 1978; Håkansson and Östberg 1975; Swan, Trawick, and Silva 1985). As dependence usually is low in the formation stage, we expect personal similarity to be most important in low dependence relationships.

> H_{3a}: The more the salesperson signals similarity to the customer's values and norms, the more effective relational selling behavior and skills become.

> H_{3b}: The effect of personal similarity *decreases* as the customer becomes more dependent on the supplier.

Sales aggressiveness. Sales aggressiveness is often associated with the traditional "foot-in-the-door" sales behavior. Aggressive sales behavior can be defined as continuous attempts by the salesperson to emphasize sales, and thus trying to convince the customer to order differently than originally planned. This approach might be used by a new supplier that is trying to get a foothold with the customer in the initial phase of the relationship. Also, the salesperson could be pressured by his or her organization to sell extra within a period of time to save a budget or achieve a bonus that depends on sales. Such behavior could be effective to make an immediate sale, but may weaken the long-term relationship (O'Neal 1989; Weitz 1981). In a relationship characterized by high degree of dependence on the supplier, an aggressive selling behavior can be perceived as a misuse of position, causing an even more negative effect on the customer's willingness to continue the collaboration.

> H_{4a}: The more sales aggressiveness is used as a mode of behavior, the less effective the relational selling behavior becomes.

> H_{4b}: The negative effect of the salesperson's aggressiveness *increases* as the customer becomes more dependent on the supplier.

Control. Control is defined as the salesperson's attempt to control the business relationship (Weitz 1981). Salespeople who exert a high level of control in a sales interaction frequently direct the interaction toward an outcome that is more compatible with the supplier's needs than with the customer's needs. At the extreme, the salesperson uses power to dictate the terms for cooperation or uses threats or contractual conditions to influence the customer decisions (Frazier and Rody 1991; Frazier and Summers 1984). In a continuous relationship, it is probably more effective for the salesperson to emphasize customer needs instead of controlling the process in favor of the seller and the immediate sale (Heide and Miner 1992). Control can be effective in achieving an immediate sale or improving the terms of trade, but can harm the relationship because it may dilute the sense of goal congruence. As the relationship becomes closer, goal congruence will probably be even more important (Ring and Van de Ven 1994), and potential negative effects of control are expected to increase.

H_{5a}: The more control the salesperson exerts within the relationship, the more negative the relational selling and skills become.

H_{5b}: The negative effect of salesperson's execution of control *increases* as the customer becomes more dependent on the supplier.

Method

Population, Sample and Data Collection

We selected the population for our study to reflect a variety of purchasing practices and thus avoid bias due to a specific industry or one or a few dominating suppliers. An extensive questionnaire was mailed to a total of 576 companies in the information technology industry, the sports apparel and equipment industry, and companies buying paperboard and plastic packaging. In return for their cooperation, informants received a short version of the report from the study.

After a reminder, 126 companies (a response rate of 22%) filled out and returned the questionnaire detailing their relation with a deliberately chosen supplier of packaging, component parts, and accessories. A total of 294 relationships formed the database for the study. The questionnaire was completed by the person in charge of purchasing within the company. Experience indicated that the responsibility for the contact with one specific kind of supplier is often delegated to one person. Also, results of preliminary qualitative interviews indicated that the person responsible for purchases was the one having the best overview of the supplier relationships. However the informants were encouraged to confer with their colleagues in completing the questionnaire if necessary.

Measures

The measures were developed in two stages. After the literature review, in-depth qualitative interviews with two companies on the buyer side and two companies on the supplier side were carried out. The questionnaire for the main survey was then developed and tested. As only minor corrections were made on the basis of the test, the answers from the test were included in the analyses. All constructs were assessed with multiple item scales (see appendix).

Statistical descriptions including mean, standard deviation, skewness, kurtosis, and coeffecient alpha of the seven scales are reported in Table 4.1. Skewness and kurtosis statistics indicate that the scales follow a normal distribution. The reliability coefficients exceed or are close to the recommended level of .7 (Nunnally 1978).

Table 4.2 is the estimated correlation matrix for the scales.

Table 4.1: Statistical Description of Estimated Scales

	Number of items	Mean	St.dev.	Skewness	Kurtosis	Reliability
CONTIN	3	4.60	0.87	-0.64	0.46	0.67
COMMUN	4	3.25	1.33	0.19	-0.73	0.88
CNFLT	2	4.65	0.89	0.19	-0.73	0.79
PERSIM	4	4.51	0.83	-0.96	1.20	0.70
AGRESS	2	2.58	1.23	-0.55	1.20	0.82
CONTRL	3	2.22	0.80	0.50	0.01	0.63
DEPEND	4	2.51	1.15	0.64	-0.25	0.80

Table 4.2: Estimated Correlation Matrix

	CONTIN	COMMUN	CNFLCT	PERSIM	AGRESS	CONTRL	DEPEND
CONTIN	1.000						
COMMUN	.412	1.000					
CNFLCT	.455	.379	1.000				
PERSIM	.485	.412	.633	1.000			
AGRESS	-.271	-.150	-.241	-.256	1.000		
CONTRL	-.204	-.055*	-.372	-.300	.421	1.000	
DEPEND	.209	.246	-.090*	.010*	.020*	.157	1.000

*: Not significant at .05 level.

Sample Characteristics

The resulting sample appeared to be evenly distributed across company size and industry, indicating no specific kind of company bias in the data. In terms of purchasing practice, the material indicates that it is most common to buy from one or two suppliers within each product category. Across purchasing categories, 82% of the companies bought packaging from no more than two suppliers. For component parts the proportion was 66% and for accessories it was 75%.

The average duration of cooperation with the packaging and component part suppliers was 12 years. The cooperation with suppliers of accessories appeared to be of shorter duration, with a six year average; 66% of these relationships were reported to have had a duration of less than five years. The results indicate that a very small proportion of the ordering is done when the salesperson calls on the company. For packaging (72%) and component parts (84%), the most common method is to let the ordering be directed by production plans. For accessories, the most common method (44%) is to order when there is a shortage, but there seems to be variation in that practice. The results do not imply that the salesperson is unnecessary, but suggest that the salesperson has little influence on single orders for these product categories, which is in accordance with the theoretical conditions for the study.

Analyses Approach

The five main-effect and five interaction-effect hypotheses were tested in a two-step approach. First, all the five behaviors (main-effects) were tested simultaneously. Although the five behaviors address different aspects of the salesperson's behaviors and skills, they are interrelated. Thus, the effect of each behavior will be controlled for by the effects of the other behaviors. The model to be tested using ordinary least square (OLS) regression is:

CONTIN = B0 + B1 * COMMUN + B2 * CNFLCT + B3 * PERSIM + B4 * AGGRESS + B5 * CONTRL

where B0 is the constant, B1 to B5 are the coefficients of the five behaviors to be estimated and tested (communication, conflict handling, personal similarity, aggressiveness and control).

Second, in order to avoid problems of multicollinearity, the interaction-effects have to be tested individually in five separate models. Thus each of the interaction-effect models have the following format:

CONTIN = B0 + B1 * DEPEND + B2 * (salbeh) + B3 * DEPEND * (salbeh)

where B0 is the constant, B1 is the effect of dependence, B2 is the effect of a salesperson behavior, and B3 is the hypothesized interaction effect. The model will thus be repeated for each of the five salesperson behaviors communication, conflict handling, personal similarity, aggressiveness and control using ordinary least square (OLS) regression.

The marginal effect of each behavior on continuity can be obtained by the derivate of continuation with respect to the specific salesperson behavior, that is:

(delta CONTIN / delta (salbeh)) = B2 + B3 * DEPEND

In terms of the forms in Figure 1, forms A and B are present if $B3 = 0$, and if $B2 > 0$ and $B2 < 0$ respectively. Form C is present if $B2 > 0$ and $B3 < 0$, and form D is present if $B2 < 0$ and $B3 > 0$.

Results

Results from the OLS estimated models are reported in table 4.3 for the main effects and in table 4.4 for the interaction effects. The five salesbehaviors explain about 32% of the variance in business continuity. Four of the salesperson behaviors have significant effects on continuity in the expected directions. Communication (COMMUN), personal similarity (PERSIM), and conflict handling (CNFLCT) are all positive, with coefficients of 0.151, 0.189 and 0.231 respectively. Aggressive salesinfluence (AGRESS) has the expected negative effect with a coefficient of -0.079. The effect of control behavior (CONTRL) is not significant. Thus, four of the five main effect hypotheses (*H1a-H4a*) are confirmed, while the results also suggest that salesperson behaviors do have a significant and substantial effect on relationship continuity.

Table 4.3: OLS Estimates for the Simultaneous Main Effects of Salesperson Behaviors on the Dependent Variable (CONTIN)

	ß	t-value	*p*-value
COMMUN	.151	4.12	.000
CNFLCT	.189	2.82	.005
PERSIM	.231	3.15	.001
AGRESS	-.079	-1.94	.050
CONTRL	.008	0.13	.899
Constant	2.416	6.56	.000

Adj. *R-square* = .32

n = 263

However, only two of the five interaction effects are significant ($p < .05$). First, as posited in *H3b*, personal similarity (PERSIM) becomes less important as the dependence on the supplier increases. Second, aggressiveness has a less negative effect as the degree of dependence increases. This finding is opposite our expectation and *H4b* is not supported.

Table 4.4: OLS Estimates of the Effects of Salesperson Behavior on the Dependent Variable (CONTIN) (t-values in parentheses for coefficient, and F value for overall model)

SALES-BEHAVIOR	CONSTANT B0	DEPEND B1	Behavior B2	Interact. B3	R-square	FORM
COMMUN	3.15 (10.79)	.27 (2.26)	.37 (4.59)	-.05 (-1.64)	.19 (21.36)	A
CNFLCT	1.60 (2.97)	.36 (1.96)	.56 (4.95)	-.04 (-1.01)	.27 (31.56)	A
PERSIM	1.07 (2.01)	.053 (2.62)	.70 (6.08)	-.08 (-1.90)	.29 (36.30)	C
AGRESS	5.18 (19.41)	-.05 (-.44)	-.37 (-4.04)	.08 (2.20)	.13 (13.71)	D
CONTRL	4.77 (14.09)	.17 (1.25)	-.28 (-2.03)	.01 (0.16)	.10 (10.23)	B

In sum, we found two of the five salesperson behaviors to be universally positive or negative across various levels of supplier dependence. The results show that communication and conflict handling are universially positive behaviors, whereas the effects of personal similarity and salesperson aggressivness are moderated by the dependence on the supplier. Salesperson control does not have an effect when we control for the effects of other behaviors. Furthermore, the effect of control is not moderated by dependence on the supplier.

Discussion and Future Research

Theoretical Implications

Within close buyer-seller relationships, traditional selling activities tend to be taken over by administrative routines. Marketers therefore begin to ask whether the salesperson is necessery and what relational selling behavior and skills will be effective. Our findings demonstrate that through various behaviors the salesperson affects the buyers' motivation to continue their supplier relationships.

Another question addressed in the study was whether some universal relational selling behaviors and skills are independent of supplier dependence, and some behaviors and skills are affected by such dependence. Our findings indicate a universal positive effect of communication and conflict resolution; they will not be affected by the customer's degree of dependence on its supplier. Furthermore, the findings show that sales aggressiveness and personal similarity are affected by relationship characteristics. Personal similarity has the most positive effect when the level of dependence is low. When the level of dependence increases, the effect is reduced. This finding contradicts Weitz (1981), but parallells the result reported by Crosby et al. (1990) from their study of relational selling in the insurance industry. Their explanation is that in the long run the salesperson's consultative role expands, and solutions to the client's problem must transcend traditional service boundaries (Crosby et al. 1990).

Although the universal effect of aggressiveness on continuity appears to be negative, the results show an unexpected direction of the interaction effect. In fact aggressiveness could have a positive effect at high levels of dependence. One explanation, admittedly *post hoc*, is that when a customer is highly dependent on a single supplier, the customer could expect a passive (order-taking) behavior. Why should a salesperson bother to work on a customer that is higly dependent anyway? When, contrary to its expectations, the customer experiences aggressive influence attempts, it might conclude that the supplier's salesperson does not take the relationship for granted and might perceive such attempts as an expression of commitment and responsibility. Future research should address this *post hoc* explanation.

To understand more fully the role of the salesperson in relationship marketing, we need to understand the nature of the relationship. One perspective is to regard the relationship as a necessity to enable the parties to meet external competition that they could not overcome alone (Reve and Stern 1979; Wortzel and Venkatraman 1991). The focus of the relationship should therefore be the *outcome* for both parties. Working together should improve the profits to both (Wortzel and Venkatraman 1991). Efforts to create value for the customer will therefore be favored and regarded as cooperative sales behavior. Furthermore, when the cooperative climate between the working partners is supportive of a relational structure, a collaborative communication strategy should be expected to enhance the outcomes for both parties (Mohr and Nevin 1990). If the intention of the salesperson is to contribute through cooperation to the customer's competitive advantage (Reve and Stern 1979), communication, positive conflict handling, and personal similarity gives the supplier a profound understanding of the customer's business and might be a signal of the salesperson's willingness to contribute to value creation for the customer.

Managerial Implications

The reported study has a number of managerial implications and some of them will be discussed below. One is how marketing management perceives the role of the salesperson within the relationship. The perspective of our study is on the relationship management role of the salesperson, meaning that a main responsability for the salesperson will be to structure, coordinate and develop the relationship with the buyer. In sum the results of the study suggests for selection and training of the salesforce to emphasize skills in management of interorganizational processes rather than traditional sales techniques (Levitt 1983; Webster 1992).

The results from this study support the significance of information exchange and communication in a relational cooperation between supplier and buyer reported in other studies (e.g., Noordewier et al.1990). A challenge for the salesperson in relational selling will therefore be the frequency (intensity), form and content of the customer interaction to facilitate communication and stimulate dialogue between the two organizations. Although this study does not adress the form, the results suggests some guidelines on the frequency (intensity) and content. The degree to which the salesperson mediates communication between the seller and the buyer is indicated to be an important element in the selling behavior. By communication is meant the two-way exchange of strategic and operational information necessary to enhance mutual learning and effeciency of transactions within the relationship. The salesperson should therefore be responible for both designing the structure, content, frequency, and the format for the interorganizational dialogue. Interorganizational dialogue can happen through seminars, customer visiting programs, periodical assessments, or other forms.

Another facet of the relationship management role of the salesperson is to contribute to the cooperation by setting up common goals and routines or norms for the working relationship. Expressing similarity with the buyer could be a facilitator in low dependence relationships when both common goals and routines might be unclear (Ouchi 1979). However, in high dependence relationships where objectives, routines and reciprocal acquaintance are more established, the significance of expressing similarity will diminish. This suggests that activities aimed at mutual socialization and bonding should be used in low dependence relationships or in a phase when dependence is low, and be substituted by more task oriented activities in high dependent relationships or in a phase when dependence is increasing.

Conflicts and complaints are usually outcomes of a process where customers at an earlier stage have signalled discomfort, a problem, or made a request. As emerging conflicts can be detected and settled at an early stage by frequent contacts of an observant salesperson, conflicts may still arise and have to be dealt with. Therefore it is adviseable to include conflict resolution and management in the training of the salesforce.

Does relational selling imply always being "nice" to the customer? Our research shows that in some situations the salesperson is well advised to be confrontational and very direct with the customer, without being coercive or being perceived as only acting in favour of the supplier. However, the focus in relational selling should be on creating customer value. Organizing the salesforce with a long-term perspective on customer relationships and giving salespeople the total responsibility for customer loyalty may develop incentives for a cooperative state of collaboration (Ford 1980; Heide and Miner 1992). In addition, systematic and periodic evaluation of the customer relationship as part of the sales management system might contribute to empathy and a market orientation of the organization (Kohli and Jaworski 1990).

Future Research

Future research can take several directions. One direction is to develop the contingency framework further and explore different types of relationships. We focused on customers' dependence on the supplier to describe differences in relationships, but other classifications might be warranted. For example, future research could explore how balanced versus imbalanced dependency (i.e., Buchanan 1992; Cook and Emerson 1984) influences the effect of various marketing activities on business continuity. Other typologies could be related to differences across industries (Jackson 1985), bilateral or unilateral (Heide 1994), and the maturity of the relationship (Ring and Van de Ven 1994). Future research should also explore how the marketing functions change as the nature of buyer-seller relationships change, both in terms of the content of the functions and their effect on marketing objectives.

Although the sample in the study consisted of customers with various levels of dependence on their supplier, the average dependence among the sample is about 2.5 on the six point scale used in the study, and 10% of the buyers reported a dependence of 4 or higher. As the sample was drawn by random, this result might reflect the distribution of dependence on the suppliers in the population of industrial relationships. Future research should address the effects of various salesperson behaviors in partnertype of relationships where the levels of dependence are supposed to be higher and the relational cooperation to a larger extent is secured by formal agreements and joint resources.

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Appendix

Scale Items

A. Continuation of the relationship (CONTIN)

(3-item, 6-point scale, for item 1 and 2 anchored by 1 = "Completely disagree" to 6 = "Completely agree", and for item 3 anchored by 1 = "Very little likely" to 6 = "Very likely")

1. Our firm will very much like to continue to cooperate with this supplier in the future!

2. It has to be a major thing if our firm should stop buying from this supplier!

3. How large is the probability of buying an equally large or larger share of the product/components from this supplier next year?

B. Communication mediated by the salesperson (COMMUN)

(4-item, 6-point scale anchored by 1 = "To a very little degree" to 6 = "To a very high degree")

4. The salesperson provides us with information about the development within his/her industry concerning technology, competitors, and other issues.

5. The salesperson collects information about changes in our products, production processes, production routines, and organization.

6.The salesperson provides technical information about his or her firm's products and production methods.

7. The salesperson collects technical information about our firm's products and production methods.

C. Conflict handling (CNFLCT)

(2-item, 6-point scale anchored by 1 = "Completely disagree" to 6 = "Completely agree")

8. The salesperson has the ability to make sure that conflicts don't arise in the working relationship between our two firms.

9. The salesperson has the ability to solve conflicts or disagreements before they create problems in our working relationship.

D. Personal similarity with the customer (PERSIM)

(4-item, 6-point scale anchored by 1 = "Completely disagree" to 6 = "Completely agree")

10. The salesperson is difficult to deal with as a person (reversed).

11. The salesperson is a person with whom I have a good personal relation at a professional level.

12. The salesperson is quite similar to me in values and norms, and also in how we reason.

13. The salesperson understands the business mentality of this country.

E. Agressiveness technique (AGRESS)

(2-item, 6-point scale anchored by 1 = "To a very little degree" to 6 = "To a very high degree")

14. When we interact, the salesperson is concerned only with presenting the product, selling the company's products, and taking orders.

15. The salesperson is aggressive.

F. Control behavior (CONTRL)

(3-item, 6-point scale anchored by 1 = "To a very little degree" to 6 = "To a very high degree")

16. The salesperson wants to dictate the terms in the contacts with our firm.

17. The recommendations given by the salesperson are often more advantageous to his/her company rather than ours.

18. The salesperson employs legislative or contractual measures to influence our purchase decisions.

G. Perceived dependence (DEPEND)

(4-item, 6-point scale anchored by 1 = "Completely disagree" to 6 = "Completely agree")

19. Physical and/or mental costs would be high if we were to change the supplier of the products that we purchase from this supplier!

20. We have made large adjustments in our production and in our coordination routines in order to buy from this supplier!

21. Our company feels very dependent on this supplier!

22. This supplier has large power over our company!

Chapter 5

Why do some Companies not Want to Engage in Partnering Relationships?[*)]

*) Co-authored with Kenneth Wathne and Atul Parvatiyar. This article was published in *Relationships and Networks in International Markets*, 1997, edited by Hans Georg Gemünden, Thomas Ritter, and Achim Walter, Pergamon, pp. 91-107. An earlier version of this paper was presented at the 12th International Conference on Industrial Marketing and Purchasing (IMP-Group), University of Karlsruhe, September 5th-7th, 1996.

Introduction

Interfirm marketing relationships are becoming increasingly popular. Marketers are interested in retaining profitable customers. In order to improve the efficiency and effectiveness of their future marketing efforts, marketers now involve key customers in their design, development, sales and marketing processes so as to facilitate their future marketing efforts (Han, Wilson, and Dant 1993; McKenna 1991; Morgan and Hunt 1994; Sheth and Parvatiyar 1995). Recent and emerging studies demonstrate the positive effect of loyal customers and relationship-oriented marketing strategies on company revenue and profitability (Anderson, Fornell, and Lehman 1994; Kalwani and Narayandas 1995; Rust and Zahorik 1993). Similarly, purchasing literature advocates the benefits of forming close relationships with selected suppliers (e.g., Asmus and Griffin 1993; Noordewier, John, and Nevin 1990). Over the last decade, there has been growing evidence that to be competitive, manufacturing firms are moving from a traditional approach of adversarial relationships with a multitude of suppliers to one of forging longer term relationships with a few selected suppliers (e.g., O'Neal, 1989; Spekman, 1988).

In the context of partnering, success depends on the performance of both parties involved in the relationship, as they each bring complementary skills and resources into the partnering process. In other words, the success of partnering strategies for the seller is highly dependent on the customers' willingness to engage in a partnership, and vice versa. Although the literature demonstrates positive effects for both suppliers and buyers from engaging in close relationships and partnerships, academics are beginning to question whether relationships always bring benefits to the relational parties (Håkansson and Snehota 1995b; Han, Wilson, and Dant, 1993). Furthermore, practitioners also report reluctance on the part of customers and suppliers to engage in partnering relationships.

Since companies invest considerable resources in establishing, managing and governing partnering relationships (Anderson and Weitz 1989; Heide 1994), it is worthwhile to investigate why some companies do not want to engage in such arrangements. Håkansson and Snehota (1995b) have addressed certain burdens of close interfirm relationships: (1) the loss of control, (2) undeterminedness of future outcomes, (3) the demand of resources or costs related to benefits, (4) the preclusion of others, and (5) stickiness - the exposure to your partners' partners, but questions still remain. Therefore, we conducted a qualitative study among a selection of suppliers and some of their large and important business customers to investigate the following questions: What are the main motivations for not engaging in close relationships with their suppliers? How do supplier characteristics affect their reluctance to engage in a close relationship? How do organizational factors, such as purchasing policies influence the willingness to engage in close relationships? Is their motivation affected by external factors, like technological change, attractiveness of alternatives, or type of industry? The purposes of this paper is to explain why some companies do not want to engage in partnering relationships and to offer propositions for further research.

Method

Research Context

Academic research on interfirm marketing relationships has increased substantially in scope and amount, and diverse concepts have been used to describe these arrangements. The diversity has not only created confusion about the meaning of the concepts, but also created problems in finding comparable studies on any given subject of analysis. Often, both the terms and the forms of business alliances are loosely defined, and newer forms do not always fit neatly into the traditional classification schemes.

Several marketing scholars have discussed a continuum of working relationships along which industries fall (e.g., Anderson and Narus 1991; Jackson 1985; Webster 1992). At the one end are the purely transactional relationships, where the customer and the supplier focus upon the timely exchange of basic products for highly competitive prices. At the other end are collaborative relationships, or partnerships. The arrangements we describe in this study are interfirm collaborative marketing relationships. These are formal arrangements formed between non-competitors, are operative in intent and co-operative in nature (Sheth and Parvatiyar 1992). More specifically, they are arrangements formed between industrial buyers and suppliers in order to achieve efficiency and revenue enhancement.

Field Interviews and Analyses

Because the purpose of the study is theory construction, it was important to tap a wide range of experiences and perspectives in the course of the data collection. We thus introduced a grounded theory approach to why business customers do not want to engage in partnering relationships. The field research consisted of in-depth interviews with both side of the buyer-supplier dyad. The sample was leading Norwegian suppliers in five industries and two of each supplier's most important customers, a total of 15 interviews. In order to avoid industry-specific biases, we selected suppliers from various products and services industries. The following industries were represented among the suppliers: information technology (PCs, networks, programs, and consulting services), industrial gases, corrugated cardboard packaging, management consultants, and commercial banking. Two or three representatives from each supplier participated in the interviews. The informants held the following positions: general manager, marketing director, marketing manager, sales director, or key account manager.

The industries represented by the customers included wood processing, food processing, ship yard and producer of off-shore drilling equipment, pharmaceutical wholesale and retail distribution, machine equipment importer and wholesaler, and car retailer with affiliate outlets, selling both to industrial customers and private end users. Two or three representatives were interviewed from each customer. The customer informants held positions as managing director/director/project manager, financial director, director of human resources, IT manager, purchasing manager, production manager, construction manager, maintenance manager, or distribution manager.

Each interview typically lasted about two hours and was audiotaped unless the informants requested otherwise. The interviews followed a guideline that was presented to the informants in beforehand. After a brief description of the research project, the informants were encouraged to speak freely along the topics of the interview guidelines. Although the guidelines provided a structure for each interview, it was sometimes necessary to explain and clarify some of the questions. It was also necessary at times to probe deeper with additional questions to elicit examples, illustrations, and other insights. Each interview was fully transcribed from the tape, and was subjected to content analysis using computer-aided processes (Weber 1985) rather than a manual method.

Results and Research Propositions

The content analysis of the interviews revealed five factors explaining why companies would resist or not engage in partnering relationships. These are (1) fear of dependency, (2) lack of perceived value in the relationship, (3) lack of credibility of partners, (4) lack of relational orientation in the buying company, and (5) rapid technological changes. In the following we discuss each of the five factors in more detail and offer propositions based on the field interviews.

Fear Of Dependency

Fundamental characteristics of close business relationships are interdependence of choice among marketing actors and cooperation, as opposed to competition and conflict, (Håkansson and Snehota 1995a, b; Sheth and Parvatiyar 1995; Webster 1992). The representatives interviewed expressed these characteristics with statements like:

> *"A relationship is to find solutions together," and*

> *"A relationship is to draw upon each other."*

Cooperation implies that one has to rely on the other party in order to complete the tasks within a relationship. It is impossible for companies to cooperate without giving up some of their own independence, which could be uncomfortable and even threatening to the parties involved. The following quotations are illustrating:

> *"In a relationship, there is an increased participation in the other party's activities."*

> *"A relationship 'intervenes' in the sovereignty of each party."*

This fear of dependence was found to be driven by:

(1) A lack of flexibility in choice of suppliers. Being dependent on a few selected suppliers introduces a large element of uncertainty. First of all, in cases such as strikes or fire, most companies would get into serious problems after only a short period of time. Second, in industries with constantly changing technology, being dependent on one supplier could make the customer stuck with yesterday's technology. In both cases, customers preferred an arm's length relationship with their suppliers, or would rather use several suppliers. These kinds of arrangements enabled the buyers to switch between the suppliers that were capable to deliver. Furthermore, distant relationships and multisourcing also allowed to switch at a short notice to the suppliers at the technological forefront.

(2) A fear of opportunistic behavior from the supplier. Opportunistic behavior from the supplier can be manifested in different ways. One is to take unilateral advantage of the relationship. For example, that once the buyer has established a relationship with the supplier, the supplier can be tempted to charge "monopoly" prices. Another is to take the relationship for granted, resulting in a lack of development from the supplier side.

(3) A loss of both personal and organizational control. When a purchasing agent believes his or her position and working routines are threatened by dealing with one supplier instead of having the power and control from dealing with several competing suppliers, he or she may feel a loss personal control. The informants referred to this loss of control as having to rely on the supplier for strategic issues. Their objective to have competence and in house control over strategic issues is illustrated by the following quotation from a manager:

> *"Our objective is to have the overview and the knowledge about every solution that is in operation in the corporation. We do not feel comfortable being totally dependent on external [suppliers]. Then we get the feeling of losing ground. If we were to be responsible for solutions we did not know, we would feel like being in the wilderness."*

The effect of fear of dependence on willingness to engage in a partnering relationship can be summarized in the following proposition:

P_1: Companies will be reluctant to engage in partnering relationships when they fear unilateral dependency on the other party due to:
a) Loss of flexibility in strategic choices.
b) Fear of opportunistic behavior of the partner.
c) Loss of personal or organizational control.

Lack of Perceived Value

Establishing and maintaining cooperative relationships demands resources from both relational parties (Håkansson and Snehota 1995b). Therefore, companies are critical in their choice of partners. The customer representatives said they used the market or arm's length supplier-buyer agreements when: (1) only commodities are purchased, (2) the supplier can offer nothing more than standard products or services with little adaptations sold at a list price, (3) there are several alternative suppliers that can offer a similar product or service; and (4) there are no specific investments related to the applications of the product or service. The following statement illustrates this point:

> *"If we are talking about a pure commodity which is internationally defined, then there is no incentive to build a partnership with your supplier. When it comes to packaging [however], we cannot jump from one supplier one day to another the next. A major difference from commodities is the investments you make, both in physical equipment such as cylinders, and the time you spend with your supplier in order to meet all your requirements. When you do not buy standard products it is necessary to link more closely with one supplier in order to secure the quality you want. In doing so, you also make a choice of partner for a longer period of time."*

In line with the argument above, one main reason for forming a partnering relationship is the expectation of the parties to obtain something "more" than they can obtain by an arm's length buyer-supplier relationship. This "more", or added value, can broadly be categorized into cost reductions, new sources of revenue, superior market position, development of new competencies, and social rewards.

Cost Reductions

There are several facets related to cost reductions within a partnering relationship. (1) Reduced transaction costs resulting from fewer suppliers. This includes spending less time on collecting information and evaluation of new suppliers, negotiations, coordination, control and inspections of performance, as well as reduced probabilities for misunderstandings when having the same information distributed to several suppliers. (2) Reduced unit costs due to coordinated planning, shared learning, and economies of scale.

Reduced unit costs can also be a consequence of increased sales volume when customers decide to limit themselves to on or two their supplies. (3) Reduced operating costs due to fewer stops in production. Incompability of supplied products or services, as well as in working systems and routines could cause stops in production and interruptions in work resulting in huge losses. An example of an incompatibility problem is that materials from different suppliers often differ in quality even when the specifications are the same. When materials from one supplier are used, the production runs smoothly, but switching to materials from another supplier may cause crashes, interruptions and readjustments. Therefore, it is often safer and more efficient to purchase materials from one supplier.

New Sources of Revenue and Superior Market Position

New sources of revenue within the relationship were said to result from cross sales, development of new products and services, and access to new markets. By demonstrating competence in one part/department of the customer's company, the chances of positive word-of-mouth and spillover effects to other departments increase. Furthermore, cooperative relationships can result in the development of new products or services which can improve the competitive position of both the customer and the supplier. An example of the latter was emphasized by one customer of the industrial gas supplier. In cooperation with this customer, the supplier developed a special gas which was later branded after the same customer, and which contributed to both productivity improvements (through improved processes and cheaper components/materials), as well as benefits in the distribution of fresh meat to the retailers, due to longer durability of the finished products without needing to use chemical preservation additives. These benefits reduced waste within the retail distribution channel and enabled new retailers to distribute fresh meat. Thus, the customer gained an advantage over competing meat processors and was able to gain new customers, while the supplier was able to lock out competitors through the development of the branded, tailor-made gas. Finally, the retail outlets distributing the fresh meat products with the improved packaging (the customers' customers) improved their position vis-à-vis other retailers.

Development of New Competencies

Apart from cost reductions and revenue improvements, another reason for customers to form partnering relationships with their supplier was that the customers expected to take part in technological developments within the supplier's industry. Similar arguments were presented by the suppliers. New technological solutions can provide advantages for both the customer and supplier. Taking part in technological development was usually related to having access to specific resources within the partner company, such as resources with a specific competence or experience with a specific product or service. This was exemplified by the significance of having direct access to the supplier's research and development department and to persons with special knowledge related to the customer's operational or development problems. Another aspect was that by pooling together competencies from both the supplier and the customer, they could develop specific competencies together which could result in improved competitiveness to both partners.

Social Rewards

Under the label social rewards we have included both rewards derived by the company and by the personnel engaged in the relationship. At the organizational level, the effect on the company's reputation was mentioned as a cause for engaging or not engaging in a relationship. Generally both the customers and the suppliers preferred to work with highly reputable partners because the partner's reputation was perceived to impact the reputation of their own company. Social rewards at a personal level were also mentioned by the informants. Working with a nice customer or supplier creates a good working atmosphere in the relationship. However, not every person expected or even wanted close personal relationships. Occasionally, purchasers have to make unpopular decisions with respect to their suppliers. Therefore it was emphasized to purchasers that they should not blend personal interests with the interests of their company, but instead develop professional working relationships with a good "chemistry" between the boundary persons engaged. Furthermore, personal bonds (the right"'chemistry") might stimulate creativity in the relationship which could be rewarding in itself. But as some informants commented, people are people and meeting each other in social contexts could 'lubricate' the relationship and bring in other dimensions that otherwise would not been revealed in more formal environments.

Finally, engaging suppliers in a close relationship could cause the person responsible for the relationship to feel his of her position to be at stake, in other words he or she was taking a personal risk by introducing and fighting for the collaborative arrangement. A successful relationship then could lead to personal recognition within their company, just as an unsuccessful one could have great negative consequences. Without being certain that the relationship will turn out to be successful, the companies would not engage in the relationship in the first place. The informants had the opinion, however, that not every buyer-supplier relationship is likely to achieve one or more of the above-mentioned objectives. The reasons mentioned for not achieving value added beyond what you would expect from an arm's length buyer-supplier relationship were related, in part, to the product or service provided, and partly to the ability and motivation of the parties. Whatever the reason, when the companies do not believe that value-adding effects will be gained, they will not engage in a partnering relationship, or they will disengage from a relationship that no longer produces added value. This can be summarized as follows:

P_2: Companies will be reluctant to engage in partnering relationships unless significant added value is proposed in terms of:
a) Cost reductions.
b) New sources of revenue.
c) Superior market position.
d) Development of new competencies.
e) Social rewards.

Lack of Credibility of Partner

As noted previously, the companies realize that partnering is demanding on resources, so they cannot form partnerships with everyone. In general the partner must have both the abilities (skills) and motivation to collaborate, as well as the technological competence needed to realize the objective of the partnering relationship. The choice of a relational partner usually starts with each company defining their own goals and how they expect a partnership to fulfill them. The companies then search for a matching partner who can fit into their strategy. When looking for a potential partner from the supplier side, suppliers reported some general requirements:

- Large, because, as stated:

  "...we do not believe that we can offer the services and products that we want to a customer that cannot afford to pay for them...We should rather capture the upper level of the market,... because then we can offer value adding services and other things that develop the relationship."

- Demanding, because demanding customers contribute to the development of both the supplier and the relationship.

- "The client of tomorrow", because such a customer is open to new solutions. Furthermore, the client of tomorrow is the one that stays and prospers in business and makes the supplier more competitive.

- Well organized, because a well-organized customer saves a lot of trouble and costs.

- Nice, because as it was quoted:

  "..all other things being equal, a good customer is a customer that is nice to visit, and a customer where you as a salesperson feel welcome."

The customers presented similar criteria with respect to suppliers with whom they would want to develop partnering relationships. A partnering supplier should be:

- Competent, both within their industry area and the customers' industries.

  "It is beyond doubt that our strategic suppliers must be in the forefront technologically, and know our industry as well as the requirements of our customers [customer's customers] at least as well as we do, preferably better."

- Reliable with regards to deliveries, quality, and fulfillment of agreements, as well as competitive with respect to price, quality, and terms of delivery.

  "These are the basic requirements to a supplier. If these requirements are not met, the supplier can forget about partnering, value adding services, and relationship development."

- Large, because the supplier must have the size and capacity to give priority to their partnership customers.

- Important, because customers will not put resources into and engage in close relationships with unimportant suppliers.

- Innovative. As noted above, the partnership suppliers should be in the forefront technologically and create added value for the customer. However, if the partner should gain a sustainable competitive advantage, value-adding activities and improvements should be done continuously and systematically. If the relational party, supplier or customer, is not perceived to be able to innovate and develop technologically, it is less likely that it will be preferred as a cooperative partner. Furthermore, customers reported that when their supply partners ceased to improve and develop technologically, the relationship turned into an ordinary buyer-seller arrangement, and they would often start looking for new relational partners.

- Well known and have a good reputation, because, as was stated from a customer:

> *"Having this bank's logo on our letterhead strengthens our own corporate image and makes us a more respected company."*

As we can see, both from the perspective of the buyer and the supplier, a potential partner must demonstrate both the abilities (skills) and the motivation to cooperate in a relationship. These results can be summarized as:

P_3: Generally, companies will not engage in partnering relationships with companies that do not display the ability and motivation to fulfill the objectives of the relationship.

P_4: Companies will be reluctant to partner with companies that:
a) Are small relative to the company's total demand.
b) Are unimportant as a supplier or a customer.
c) Are unreliable in fulfilling agreements.
d) Lack innovative outlook.
e) Have a generally low reputation.

Lack of Relational Orientation

Lack of relational orientation in some companies can be partly explained by the type of products or services exchanged (standard or commodities), low adaptations and specific investments, or lack of added value in the relationship. However, during the interviews, we also observed differences in purchasing and supply management philosophies across the customer firms. On the one hand, there were companies who believed deeply in partnering or collaborating in close relationship with selected suppliers in order to develop a competitive advantage. In these cases, supplier development emerged as a strategic consequence and was given priority even at the board of directors' level. Organizational and relational learning was an important issue, building both on the historical events and the shadow of the future. Openness, honesty, forgiveness, equity, trust, and also high performance standards are other terms characterizing these relationships.

On the other hand, there were companies that expressed a limited belief in cooperation in long-term and close relationships. Relationships were established when they were considered useful to achieve certain defined goals. The relationships were more project oriented, and after the projects were finished the customers neglected the history, zero-leveled the relationship, and invited other suppliers to bid for new contracts. Contracts could vary from single projects (with a duration of three months), to long-term agreements (up to three years) for the supply of products and services and additional defined tasks. The underlying reasoning was that cost-efficiency and effectiveness could best be achieved when competition among the suppliers was introduced. In these companies, supply was handled by purchasing agents under a traditional purchasing model. Furthermore, some purchasing managers reported heavy, short-term organizational requirements for cost reductions. The managers' performance criteria were often directly linked to the fulfillment of these requirements. Therefore, competition among suppliers was regarded as one way to help them meet these requirements.

The following statement by a marketing director illustrates the differences in the two philosophies:

"We realized that the old roles of the buyer and the seller still remained. After going on for three quarters of a year, the supplier admitted that the seller role had been too prevalent. They had accepted everything from us, because we were a large customer. That was not the way we wanted it. We wanted constructive feedback on what we were doing wrong, because here we do a lot of things wrong. That was what we expected them to tell us. We are talking about a different way of both working and thinking, at the same time accepting that you are still a buyer or a seller."

The importance of a customer's relational orientation to the success of partnering arrangements was recognized among the suppliers and illustrated by this statement:

"[The customer must be] relational oriented, because if the customer does not have relationships as their philosophy of supply management, investments in the relationship from the supplier side as well as value adding activities will be wasted."

However, partnering arrangements are reciprocal. Relational orientation at the customer side is not a sufficient condition for successful partnering relationship. The suppliers must also demonstrate relational abilities.

We summarize our findings in the following proposition:

P_5: Companies with low relational orientation will be less inclined to engage in partnering relationships. Low relational orientation could be due to:
a) Inhibitive company policies.
b) Transaction based reward systems.
c) Corporate belief systems.
d) Rigid organization structure.
e) Restricted flows of communication.

Rapid Technological Changes

Besides qualities related to the product or service exchanged, the relationship itself, the outcomes of the relationship, the involved parties and their organizational policies, factors outside the relationship also seem to affect a firm's willingness to engage in close and long-term relationships. The speed of technological change varies among industries. In industries characterized by rapid changes, new actors with radically improved technology appear almost over night. By engaging in close relationships with a selected number of partners, companies are afraid of becoming stuck with yesterday's technology and losing ground to their competitors. This can be related, in part, to their fear of being dependent as discussed previously. However, we will also argue that the rate of technological change within an industry is a distinct factor affecting the willingness to engage in partnering relationships. Industries with a rapid technological change, like the IT industry, are often characterized by rapidly growing demand. Suppliers therefore have no strong incentives to partner in order to sell their products. Also, some partnering arrangements require suppliers to keep stock for important customers in order serve them quickly, and this could result in a loss for the suppliers, leaving them with "old" merchandise they cannot sell. This argument is summarized as:

> P_6: In industries with rapid technological changes, large growth and many actors, companies will resist engaging in partnering relationships.

Discussion

During the past decade, more and more firms have been moving toward long-term relationships between suppliers and their customers, and vice versa (Anderson 1995; Sheth and Parvatiyar 1995). In spite of documented benefits in efficiency and effectiveness (e.g., Han, Wilson, and Dant 1993; Kalwani and Narayandas 1995; Noordevier, John, and Nevin 1990), it is still not clear why some companies do not want to engage in partnering relationships. Therefore, the main goal of our study is to enhance our understanding of some factors that may inhibit interfirm cooperation. As noted by other researchers, long-term relationships require that costs must be compared to possible gains derived from the relationship (Ganesan 1994; Hakonsson and Snehota 1995b; Kranton 1996; Telser 1980). Generally, by drawing upon theories of interfirm cooperation it should be expected that companies will not engage in cooperative relationships if the costs are perceived to be too high, or the gains (or incentives) to be too low compared to alternative marketing arrangements.

Our study revealed five factors explaining why companies either would resist or not engage in partnering relationships, as outlined previously. Consider the factor "fear of dependency." Being unilaterally dependent on the supplier means that the buyer perceives difficulties in substituting the partnering supplier with another supplier. The consequences of being dependent, as found in our study, are the risk of being exposed to opportunistic behavior from the supplier, the risk of losing control over strategic issues, and the risk of losing flexibility in choice of supplier by being stuck with a partner that cannot provide sufficient supply or that may lag behind technologically. Opportunistic behavior from the supplier, for example by charging a "monopoly" price, redistributes the value creation in the relationship by increasing the costs for the buyer. As theory predicts, one way of controlling opportunistic behavior is by playing the market by increasing the number of alternatives and not engaging in relational cooperation (Emerson 1962; Heide and John 1988). Controlling strategic issues means controlling specialized functions that differentiate the company from other companies. By cooperating with external parties on strategic issues the company may run the risk of losing control over those issues if the partner acts opportunistically. Opportunistic behavior can be controlled by investing in monitoring practices (Bergen, Dutta, and Walker 1992; Williamson 1985), which increases costs, or by integrating the function within the company (Williamson 1975, 1985). Suppliers can then be handled by arm's length relationships for standardized products and services. Our results indicate that some buyers rely on these kinds of arrangements. By engaging in a relationship some companies perceive that they might lose flexibility in choosing alternative partners, as well as sacrifice possible future gains from more attractive relationships that may come up, as also found by Han, Wilson, and Dant (1993). Put another way, transaction oriented behavior that provides the flexibility to chose alternative parties at short notice, is perceived to be more effective than the outcomes of a relationship. Relating this result to economics and game theory (Axelrod 1984; Telser 1980), the incentives for long-term cooperation are perceived smaller than the gains for using a transaction oriented solution.

With respect to the fear of dependency, we suggest, contrary to Håkansson and Snehota (1995b), that this can be felt as a cost (or a burden) even if the interpretations and intention of both the involved parties overlap. As our results indicate, in addition to intentional behavior within the relationship, unintentional problems arise when developing close relationships with a selected number of partners. Examples of the latter would be incidents like fire or strikes. Further, fear of dependence can be observed both at an individual and organizational level. An example at the individual level is purchasing managers who reportedly lost their ability and power to "squeeze" the companies' suppliers and have to face much stronger departmental control and cuts in both human and financial resources. At the organizational level, the fear of dependency is manifested by the loss in control over some resources and activities, which also Håkansson and Snehota (1995b) suggest. From the above statements, we see that the fear of dependency factor can be measured at different levels, dividing between exercised and unexercised power sources that are intentionally or unintentionally present in a relationship.

Next we consider the effects of a lack of perceived added value and a lack of partner credibility. From a theoretical perspective, the lack of perceived added value from a relationship is an incentive problem. The perceived gains do not exceed the perceived costs of the partnering relationship, so the desired efficiency and effectiveness will be better achieved by simpler buyer-seller arrangements (Kranton 1996; Telser 1980). As stated in the interviews, companies do not cooperate just for the sake of cooperation. The obligations of a partnering relationship can be fulfilled only if both parties work towards partnering goals. Choosing the right partner can be seen as an agency problem, as the company is contracting out tasks or functions necessary for the partner to fulfill its goals (Eisenhardt 1989). A lack of credibility may result from not having a special competence or being specially innovative, not being reliable, being small relative to demand, not being very important, and not being reputable. A potential partner's lack of credibility signals that it will not be an appropriate partner (Bergen, Dutta, and Walker 1992). Therefore, the company will be better served by selecting another partner. A number of authors have highlighted the importance of selecting the right partner (e.g. Biemans 1995; Bronder and Pritzl 1992; Evans and Laskin 1994; Stump and Heide 1996). Quite obviously, many problems can be prevented by carefully selecting future cooperative partners. Our study emphasizes the importance of determining whether a good fit exists both at an operational and strategic level. The partner's ability and willingness to commit resources into the relationship has equal importance to achieving the initially defined goals and strategies, as well as to the expected innovations and further development (Gundlach, Achrol, and Mentzer 1995). Lastly, the representatives we interviewed stated that when you have covered the business side of the relationship, it never hurts to have a nice partner - a criterion that often seems to be neglected in our rational decision-making models.

Lack of relational orientation within the company is an effect of the company's own orientation that inhibits it to engage in partnering relationships. As discussed previously, this orientation is basically an incentive problem as it relates to the belief in competition as a supply philosophy with the use of competitive bidding, short-term contracts and transaction oriented reward systems. As such, this orientation might relate to both the lack of perceived added value and of perceived dependency factors.

We have treated the external factor of rapid technological change as a separate factor that inhibits companies to engage in partnering relationships. As our results indicate, rapid technological changes often occur in combination with fast growing demand as in the IT-market. These markets are usually internally driven by technological developments rather than by customer needs. So the suppliers have little incentives to form partnerships in order to save costs or increase revenues, while the customers want flexibility in their choice of suppliers in order to get access to the latest technology. However, research on buying behavior in high-technology markets produces mixed results on this issue. The study of Heide and Weiss (1995) suggests that buying companies in high-technology markets usually engage in extensive and frequent search for alternative suppliers, but end up by choosing their existing ones.

Implications

Implications for Management

Although our study is exploratory and based on a few cases, it suggests some implications for marketing management. First, customers are selective with whom they want to partner. That means that marketers have to be both realistic in evaluating themselves as a credible partner, and critical in selecting prospective customers to offer partnering arrangements. Therefore, both the marketer and the customer must display the abilities and motivation for relational cooperation. Second, the marketer must develop and make visible the value-adding effects of a partnering arrangement. As a partnering relationship is based on reciprocal collaboration, the plan for value-adding achievements should be a result of joint efforts of both parties. It is vital that relational benefits accrue to both. Furthermore, both parties should make investments in the relationship, or have contractual arrangements that reduces the probability of opportunistic behavior. Third, the nature of the market and competition should be carefully analyzed in order to decide if partnerships are appropriate for achieving the desired objectives, and to design effective incentives for a collaborative partnering relationship.

Future Research

As this study have been exploratory and qualitative in its nature, one direction for future research could be to validate both the constructs and propositions by quantitative research. Interesting results could be achieved by doing the research under various market conditions to control for external influences. Another interesting direction could be to investigate possible interaction effects between the credibility of the partner and the perceived added value of the partnering relationship. For example, should the partner meet certain standards before a partnering relationship is considered, regardless of perceived added value, or could the high credibility of a partner compensate for a lower perceived added value and vice-versa?

Conclusion

Since companies invest considerable resources in establishing, managing and governing partnering relationships with customers and other alliance partners it is worthwhile questioning why some companies do not want to engage in such arrangements. We conducted a qualitative study among five industrial suppliers in various industries and selected two customers from each supplier (either a customer who is engaged in a partnering relationship or with whom the suppliers wanted to partner). The study revealed five factors explaining why companies either would resist or not engage in partnering relationships: (1) fear of dependency, (2) lack of perceived value in the relationship, (3) lack of credible partners, (4) lack of relational orientation in the buying company, and (5) rapid technological changes. These results both support and extend the work of Han, Wilson, and Dant (1993) and Håkansson and Snehota (1995b). In general, by relating to theories of interfirm cooperation, the results suggest that companies will not engage in cooperative relationships if the costs are perceived to be too high, or the gains (or incentives) to be too low compared to alternative marketing arrangements.

We expand on this by exploring both the potential burdens of close marketing relationships, and by providing guidelines for what criteria should be used in choosing the form of working relationship. The results highlight the importance of not forming relationships just for the sake of relationships. Rather, in order to serve as a facilitator of cost reduction and revenue enhancement, it requires strategic and operational planning both at the overall level and from each partner firm. Finally, the results indicate the significance of partner credibility, which stresses that a careful partner selection might overcome some resistance to partnering arrangements.

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Chapter 6

Concluding Remarks and Further Research

Summary and Discussion of Findings

This dissertation has addressed a number of relationship marketing issues that have been insufficiently studied in past research. In this dissertation relationship marketing builds on the conceptualizations suggested by Peterson (1995, p. 279) "...the development, maintenance, and even dissolution between marketing entities, such as firms and consumer," and by Heide (1994, p. 72): "Governance is a multidimensional phenomenon, encompassing the initiation, termination and ongoing relationship maintenance between a set of parties." As Sheth and Parvatiyar (1995a) note, the establishment of long-term marketing relationships rather than short-term market transactions, means a move from a competitive to a cooperative strategy on a series of dimensions. Building on this logic, relationship marketing in this dissertation means antecedent conditions and marketing activities affecting buyer-seller cooperation, including the establishment, management and performance of marketing relationships. The emphasis of the dissertation has been on the role of the salesperson as a relationship manager and the interplay between organizational variables and salesperson behaviors and skills as marketing relationship management mechanisms (chapters 2, 3, and 4). In addition, the dissertation has looked into some impediments to the establishments of marketing relationships (chapter 5). The studies presented in this dissertation have drawn upon economic research frameworks such as transaction costs economics and agency theory, behavioral frameworks such as resource dependence theory, social exchange theory, sociology and relational contracting, as well as marketing literature frameworks such as sales management and marketing channel literature. Throughout the dissertation the empirical setting has been confined to marketing relationships between professional actors, either in a marketing channel (chapter 2) or in an industrial buyer-seller context (chapters 3, 4, and 5). An overview over the theoretical and empirical frameworks of the studies is illustrated in figure 6.1.

This chapter will summarize the research questions, the empirical findings of the studies, the contribution of this dissertation, and discuss the limitations of the studies. Then the chapter proceeds to a more general discussion of theoretical, methatheoretical, methodological, strategic, and ethical challenges to relationship marketing and marketing relationship research and practices. Some suggestions for further research conclude the dissertation.

Figure 6.1.: The theoretical and empirical framework of the dissertation

	Stage of relationship			
	Establishment (Chapter 5)	**Management** (Chapters 2, 3, 4)	**Performance Evaluation** (Chapters 2, 3)	**Cooperative intent** (Chapters 2, 3, 4, 5)
Antecedents	• Fear of dependency • Lack of perceived value • Lack of partner credibility • Lack of buyer relational orientation • Rapid technological change	•Product •Price •Promotion •Information exchange •Personal relationship •Conflict resolution •Customer knowledge •Aggressiveness •Communication •Personal similarity •Controlling behavior •Supplier reliability •Supplier services •Dependence on supplier	•Salesperson performance •Satisfaction	• Establishment • Loyalty/continuity
Theoretical frameworks	• Transaction cost economics • Agency theory • Resource dependence theory • Social exchange theory	•Sociology •Economics •Relational contracting •Sales management •Channel literature	•Sales management •Channel literature	•Sociology •Economics •Relational contracting •Channel literature

Specifically, the studies presented in this dissertation have investigated the following research questions (cf. chapter 1, pp. 15-16). First, what effect do "traditional" marketing variables such as salesforce (promotion), product, profitability (price), and marketing support (promotion) have in a relational context? Second, which role does the salesperson have in an established buyer-seller relationship? More specifically: which behaviors and skills are generally or conditionally desirable or undesirable for managing a buyer-seller relationship, and how should salesperson performance be measured in a relationship? Third, which factors serve as impediments to firms engaging in close, collaborative relationships? These questions deal with important but relatively unexplored aspects of successful establishment, management, and enhancement of interfirm marketing relationships. The main empirical findings from the studies are summarized in Table 6.1.

The Effect of Marketing Mix Variables in Marketing Channels Relationships - Chapter 2

When the number of buyers is limited, which is the situation in the Norwegian grocery trade, continuation or dissolution of the relationship with these buyers will be essential to the sellers. Vendors make substantial investments in their marketing mix variables in order to be attractive, but the effect of these variables has been questioned by the trade. Private labels, for instance, substitute the industry brands, in addition to promotional activities being taken over by the retailers. Surprisingly, academics have shown little interest in studying the role of marketing "tools" within a long-term relationship. In chapter 2, hypotheses regarding the effect of the supplier marketing mix variables, product, profitability, salesforce, and marketing support on the relational variables satisfaction and loyalty were developed and tested in a power-dependence framework. The results indicated that satisfaction and loyalty were affected substantially, but also differently by the variables. Salesforce turned out to be the single most important influence on satisfaction. Profitability showed a positive, but weak effect on satisfaction, while the effects of product and marketing support were not significant, controlling for the effect of the other factors. As hypothesized, products, salesforce, profitability, and satisfaction all affected loyalty, with products as the main influence. However, the supposed effect of marketing support on loyalty was too modest to be supported. In sum the results showed the importance of the interpersonal and cooperative aspect of the marketing tools, represented by the salesforce, as well as the dependence and economic incentives aspects, represented by product and profitability, as relationship management mechanisms. Theoretically this is consistent with Granovetter's (1985) argument that economic transactions are embedded in social relationships.

The Salesperson as a Relationship Manager - Chapter 3

In chapter 3, a model of the salesperson relationship manager role was further explored. First, appropriate relational salesperson performance measures were discussed. Second, hypotheses of the effect of salesperson performance on buyer perceptions of internal organizational performance as well as on buyer cooperativeness, measured by continuity intentions, were developed and tested. Third, building on various theoretical perspectives such as sales management, channel management, relational contracting, and sociology, five salesperson behaviors and skills influencing salesperson performance were identified and tested. In general the results demonstrated the significant role of the salesperson as a manager of both internal and external relationships. Performance was influenced by personal relationships, conflict resolution abilities and abilities to exchange information. Support was not found for the hypothesized positive effect of customer knowledge and negative effect of aggressive sales behavior on perceived salesperson performance, although the analysis indicated effects of these variables on dependence and continuity respectively. Furthermore, while the hypothesized effect of salesperson performance on perceptions of supplier reliability and supplier services was supported, the anticipated effect of salesperson performance on supplier dependence was not confirmed. Finally, the hypothesized positive effects of supplier services and supplier dependence on continuity were supported. Thus, the results indicated that the salesperson manages the relationship by enhancement rather than by creating dependence and barriers to switching. However, the results also showed that salesperson performance influenced and was influenced by the performance of other business functions. Finally, the results demonstrated the significance of interpersonal relationships, communication, and conflict resolution as salesperson relationship management mechanisms.

Main and Contingent Effects of Salesperson Relational Behaviors and Skills - Chapter 4

The study presented in chapter 3 revealed some aspects of the salesperson as a relationship manager. However, the results also indicated that the salesperson performance measure did not fully mediate the effects of various relational behaviors and skills on the buyer's continuity decisions. The study presented in chapter 4 thus examined in more depth the effects of some relational selling behaviors and skills as suggested in chapter 3. In addition to the hypothesized main effects of five relational selling behaviors and skills on relationship continuity intentions, it was also proposed that the effect of these behaviors and skills were contingent upon the buyer's dependence on the supplier. Support was found for the three hypothesized positive main effects; communication, personal similarity, and conflict handling, while one variable, aggressiveness, showed the predicted negative effect. Only two of the five interaction effects turned out to be significant. First, as expected, the positive effect of personal similarity was reduced as dependence on the supplier increased. Second, contrary to the initial expectation, the negative effect of aggressiveness was reduced as the degree of dependence increased.

The first three studies focused on the buyer's intention of continuing the marketing relationship and some of its antecedent influencing mechanisms. While it can be argued that focusing on one single dependent variable throughout these studies might be a narrow scope of research, the antecedent conditions build on different theoretical frameworks. For example there is a lack of consensus in the extant literature about the role of traditional marketing variables within a long-term relationship. Arndt (1979, p. 73) suggests that "practice in domesticated markets...goes beyond the traditional marketing mix." Other authors have argued that focusing on the marketing variables is "simplistic and restrictive" (Christopher, Ballantyne, and Payne 1991, p. 8) and have often attributed greater importance to aspects of the relationship itself, such as the social and structural bonds which exist between a buyer and a seller (e.g., Wilson 1995). Taken together, the findings from the studies presented in chapters 2, 3, and 4 suggested that traditional marketing variables as well as social and structural bonds were appropriate mechanisms for successful relationship management.

Impediments to Marketing Relationship Formation - Chapter 5

One important aspect of relationship marketing is the establishment of relationships. The establishment of partnering relationships, or rather the reasons why firms refrain from engaging in such arrangements, was investigated in chapter 5. Since this study was of an explorative and qualitative nature, no a priori hypothesis was developed, but the results have been summarized in five propositions for further empirical testing. Broadly, demotivating factors to engaging in close collaborative marketing relationships were found to be attributed to the following efficiency and effectiveness considerations: outcomes of the arrangement (fear of becoming dependent and lack of perceived value creation); partner capabilities (small and unimportant, unreliable, non-innovative, low reputation, a general lack of credibility); company policies (buyer's lack of relational orientation), and industry characteristics (rate of technological change).

The deterrents to establishing partnering relationships as suggested by the propositions can be and have been studied within different theoretical frameworks. Industrial economics, e.g. transaction cost theory (Williamson 1985), views establishment as primarily a choice of the most efficient organizational form of business transactions combined with crafting appropriate governance mechanisms. Within this framework, crafting an interfirm relationship should be efficient when specific investments and adaptations combined with internal and external uncertainty are high. Conversely, simpler arrangements should be more adequate when these conditions are not prevalent. Agency theory (e.g., Bergen, Dutta, and Walker 1992) views relationship establishment as a selection and a contracting problem as firms ex ante may have difficulties in choosing the right partner. Impediments to establishing a marketing relationship due to doubts about partner capabilities could then be overcome by designing appropriate contracts and selection procedures. Resource dependence theory (Pfeffer and Salancik 1978), building on early work of social exchange theory (e.g., Emerson 1962), views interfirm governance as a strategic response to conditions of uncertainty and dependence. As Heide (1994) notes, lack of self sufficiency of critical resources creates potential dependence on the parties from whom the critical resources are obtained. Furthermore, it introduces uncertainty into a firm's decision making, to the extent that the resource flows are not subject to the firm's control, and may not be predicted accurately. According to resource dependence theory, firms will seek to reduce uncertainty and manage dependence by purposely structuring their exchange relationships by means of establishing formal and semiformal links with other firms. As can be seen, dependence and uncertainty are central to transaction cost economics, agency theory, resource dependence theory, as well as to the findings of chapter 5. Under certain conditions, uncertainty and dependence can be managed by the establishment of a collaborative relationship. However, as found in chapter 5, the establishment of a relationship may at the same time introduce uncertainty and dependence by increased exposure to the partner's capabilities. By not engaging in a relationship firms may avoid this kind of dependence and uncertainty in the first place.

Table 6.1: Summary of empirical findings

Aspect of relationship marketing	Dependent variables	Main findings
Ongoing relationship maintenance: Role of marketing mix variables	Satisfaction with supplier/overall performance	Positive relationship between salesforce, profitability and satisfaction/overall performance.
	Loyalty to supplier	Positive relationship between salesforce, product, profitability, satisfaction and loyalty
Ongoing relationship maintenance: Role of salesperson	Salesperson performance	Positive relationship between personal relationship, conflict resolution, information exchange, and salesperson performance.
	Continuity of relationship	Positive relationship between salesperson performance and supplier reliability, supplier services, and relationship continuity. Positive relationship between supplier reliability, supplier dependence and continuity. Negative relationship between aggressive influence and continuity.
Ongoing relationship maintenance: Main and contingent effects of salesperson behaviors and skills	Continuation of relationship	Positive main effects of personal similarity, conflict handling, communication on continuation. Negative main effect of aggressiveness and continuation. Positive interaction effect between aggressiveness and dependence on continuation. Negative interaction effect between personal similarity and dependence on continuation.
Establishment of relationship	Resistance to engaging in partnering relationship	Five impediments to engaging in partnering relationships: • Fear of dependency • Lack of perceived value • Lack of partner credibility • Lack of buyer relational orientation • Rapid technological changes

Contribution of the Studies

The contribution of this dissertation lies principally in its identification of the specific processes by which interfirm relationships are established and managed. In spite of the commonly acknowledged importance of customer - supplier relationships as a research area, empirical evidence regarding the structure and consequences of relationship forms is quite scarce. Hopefully, this research will contribute to filling this void in the literature. In addition to identifying relational processes for managing interfirm relationships, the findings from the study reported in chapter 2 show that traditional marketing variables like product, price and promotion are still important marketing tools even in a relational context.

As noted, empirical research on the role of the marketing function in interfirm marketing relationships has been almost absent. Sheth and Sisodia (1995) have questioned the efficiency of the marketing function in general. Others, like Gummesson (1991), suggest a reduced influence of the specific marketing function on the company's external and internal relationships, while Webster (1992) posits a changing marketing role. This dissertation contributes by giving insights on the importance of the personal selling function in established marketing relationships in general, as well as by investigating functional and dysfunctional relationship management behaviors and skills more specifically. In addition, unlike much existing work which views relationship behaviors as either universally desirable or undesirable, chapter 4 of the dissertation has begun to explore the relevant contingency factors, i.e. the conditions under which particular behaviors have positive or negative consequences for a relationship. These results show that the effect of certain behaviors are contingent upon characteristics of the marketing relationship.

Another contribution of the dissertation lies in its attempt to conceptualize and operationalize a measure for salesperson performance in established long-term buyer-seller relationships. Anderson (1982) discusses the discrepancy between the behavioral approach of most marketing research with respect to input variables and the application of neoclassical output variables. Day and Wensley (1988) put forward similar arguments. Their concern can be converted to the relationship marketing and salesforce management research area as well. Commonly used measures such as sales quotas, market share, sales volume, profitability or similar measures have been applied to measure salesperson performance.

Unfortunately, such performance criteria tend to stimulate a short-term orientation. Therefore, in chapter 3, a conceptual distinction was made between salesperson behavior performance, salesperson outcome performance and sales organizational performance. Then, a three item scale for salesperson outcome performance in an established relationship was developed and employed. Although there is still room for improvement of this measure, an initial attempt to operationalize salesperson relational performance was achieved.

Finally, one contribution of the dissertation lies in its identification of some impediments for establishing close marketing relationships. As chapter 5 suggests, no factor stands out as the single most important. Reluctance to engage in such arrangements may rather be a combination of factors related to perceived outcomes, perceptions of the partner, buyer orientation, or the marketing environment. The factors detected do not pretend to be exhaustive. However, they should establish a foundation for further exploration under various theoretical frameworks.

Limitations of the Studies

Several limitations of the studies should be noted. First, the scope of the studies, with the exception of chapter 5, has been limited to the buyer perception of the dyad. Since marketing relationships are dyadic phenomena with two parties involved, it could be argued that data should have been collected from the seller side as well. How serious is this limitation? It is an unexplored question whether buyers and suppliers within an on-going relationship have convergent perceptions regarding the importance of marketing and relationship variables. In past research, perceptual differences in a relationship have often been viewed somewhat narrowly as a source of measurement error (e.g., Phillips 1981). It can be argued, however, that such differences are not only measurement errors, but rooted in real perceptual differences between the parties. For instance, a supplier who overestimates the strength of the relationship with a particular buyer and its effect on the buyer's decision, may be vulnerable to competitive moves. Moreover, a supplier who believes that relationship building is more important than developing new products and services may both be misallocating marketing resources, and over time become locked in with customers who do not take a long-term perspective of the relationship. For a researcher it would be of interest to detect the perceptual similarities and differences between the parties. However, for a seller, the buyer perspective should be of interest as an input to align the seller's own perceptions with the buyer's perceptions and to allocate the marketing resources most effectively. Since the objective of the research has been to investigate a number of propositions on the effect of the sellers relationship marketing devices, the chosen empirical setting, given the delimitations of the industries selected for the studies, should not be a serious limitation.

Second, and more seriously, is the use of a cross-sectional survey method for measuring relational processes, which places limitations on inferring the directions of causal paths. As other researchers (e.g., Anderson 1995) have observed, variables that are antecedents at one stage of the process become outcomes at another stage. Furthermore, and more precisely, the research of the dissertation builds on the buyer's perceptions of the variables and processes, rather than the variables and processes per se. It has been demonstrated that present perceptions can influence perceptions of the past (Zajonc 1980), as well as present perceptions being open to influence by perceptions of the future (Heide and Miner 1992). Like the traditions in most interorganizational marketing research, the causal paths in the studies of the dissertation build on theoretical and logical argumentation. Therefore, it may be argued that the results show correlations between variables rather than causal relationships. However, the limitations of the survey method are not specific to this dissertation, but apply to the whole research tradition within this area. Nevertheless, the limitations of the methodology represent a challenge for future research. As it is, due to the limitations of the survey method, the results indicating causal paths must be taken as tentative.

Third, although considerable efforts were made to develop the models and operationalize the variables under study in the best possible way, some models and variables turned out in retrospect to reveal some weaknesses. In chapter 2, for instance, the dependent variables were single item measures, while the independent variables displayed some intercorrelations. Single item measures have been applied in early channel research (ref. Hunt and Nevin 1974). In psychometrics now, however, it is generally recommended that multi-item scales are used. Even if the models showed a high explanatory power of the dependent variables (measured by R^2), greater robustness might have been achieved by using multi-item scales for the dependent variables. Furthermore, some of the potential problems of intercorrelation between the independent variables could have been reduced by using structural equation modeling rather than the two-step multiple regression procedure of the study. The analyses of the study reported in chapter 3 suggested that a better model could have been obtained by a respecification. Moreover, the results indicated that the salesperson performance measure, as well as some scales with marginal reliability, could be improved. The problem with the salesperson performance measure was that it did not fully mediate the suggested antecedent behavioral variables. The analyses, however, suggested direct paths from those variables not mediated by the performance variable to other outcome variables of the relationship. A superficial glimpse of the initial results could mislead readers to conclude that the variables, *customer knowledge* and *aggressiveness*, were of less importance to salesperson performance, whilst more thorough analyses showed significant, but unpredicted effects. Future research should attempt to develop better models and measures.

Some notes on the study constituting chapter 5 are also relevant. This study was exploratory and qualitative in its nature and based on a few cases. As such the results are tentative and do not pretend to be exhaustive. However, the study could be a basis for further empirical research, validating both the constructs and propositions offered.

Theoretical Challenges

What theoretical challenges do marketing relationships and relationship marketing represent beyond the findings of this dissertation? In chapter 1 the concepts of marketing relationships and relationship marketing were briefly discussed. As noted (p. 5), marketing relationships cover organizational forms ranging from repeated, simple transactions of standardized products and services in consumer markets to highly collaborative long-term partnerships between professional organizations. Because of the ambiguity of the concept, scholars have questioned whether a marketing relationship is a purposeful action on the part of the parties involved or whether it is rather a label for repeated transactions (e.g., Bagozzi 1995; Webster 1992). Bagozzi (1995) refers to business-to-consumer relationships and asks if consumers really are aware of their motivations before entering relationships, and if so, why and when they do this. As an illustration of this point, Blois (1997, p. 53) mentions that in consumer markets the term [relationship marketing] is often used where a relational database is used to underpin a supplier's marketing activities, with the customers not necessarily being conscious that they are participants in a relationship marketing campaign. Even if consumers see relationships as instrumental to goal achievements (Bagozzi 1995), a distinction between business-to-consumer and business-to-business relationships should be in place (Gruen 1995). The distinction is important because it affects the design of means by which the relationships are managed. According to Gruen (1995), business-to-consumer relationships can be described as having the following characteristics: memberships, normally small average sale size, limited investments per customer, large number of customers that can quickly be replaced, and low degree of buyer-seller interdependence. In contrast, business-to-business relationships can be described as working partnerships, just-in-time exchanges, co-marketing alliances, distribution channel relationships; they normally have large average sale size allowing for large and idiosyncratic investments in a single relationships, relatively fewer customers, and large customers that can be difficult and time consuming to replace. The degree of interdependence might vary, but can be extremely high. To build and sustain business-to-consumer relationships the seller normally relies on non-personal means of contact and the seller's customer knowledge generally is limited to database information of customers. Conversely, in business-to-business relationships the seller normally emphasises personal selling and contact, and customer knowledge is held in multiple forms and places (Gruen 1995, p. 451).

It will be recalled that the research context for the studies of the dissertation was buyer-supplier relationships between professional parties, which excludes the vast area of business-to-consumer relationships. However, the array of business-to-business relationships encompasses varying degrees of commitment and a multitude of purposes (Blois 1997; Sheth and Parvatiyar 1992; Webster 1992). The conceptualizations of marketing relationships given in chapter 1 (p. 6) may then be recalled: "... a choice of an adequate organizational response to the achievements of efficiency and effectiveness ", and "...a move from a competitive to a cooperative strategy on a series of dimensions." One theoretical challenge then is to analyze the conditions under which cooperation should be preferred to competition.

Another, but related challenge, is the choice of an appropriate organizational form of business transactions, which raises the question: Is there a theory of marketing relationships or can a theory of marketing relationships be developed? Attempts have been made to develop separate theories on the establishment and organization of interfirm relationships (e.g., Oliver 1990; Sheth and Parvatiyar 1992). In that perspective chapter 5 might be viewed as a contribution to developing a theory of marketing relationship formation. However, it could be argued that choice of organizational form might better be analyzed by existing theoretical frameworks such as transaction cost economics (Williamson 1985) and resource dependence theory (Pfeffer and Salancik 1978).

If establishment of a marketing relationship represents a collaborational approach to organizing business transactions, relationship marketing, as suggested in chapter 1, (p. 7) can be conceptualized as activities marketers perform to promote cooperation. The theoretical challenge is then to study how interfirm cooperation can be established and sustained. Alluding to Hunt's (1976, p. 25) suggestion that "marketing is the science of transactions," relationship marketing might be "a science of cooperation." Various theoretical frameworks suggest that cooperation can be promoted both by choice of organizational form and of governance mechanisms. Transaction cost economics emphasizes governance as primarily a choice of organizational form combined with appropriate mechanisms (e.g., authority, price, incentives, monitoring) to support it. The political economy framework (Stern & Reve 1980), makes distinctions between structure and processes, while agency theory, game theory, and social exchange theory study how cooperative processes can be influenced irrespective of organizational form. This dissertation has focused on processes rather than governance form. Thus the notion relationship marketing is used in a narrow sense meaning mechanisms to maintain and enhance ongoing interfirm cooperation. This dissertation shows that cooperation can be affected by factors such as product, profitability, efficiency, and dependence, as well as by past performance and interpersonal attachments between boundary personnel. As such, the results underscore the argument of Berry (1995) that marketing relationships can be managed by financial, social, and structural bonds. It can still be questioned whether a separate theory of relationship marketing exists or can be developed. Some scholars have made attempts to develop theories or theoretical frameworks for relationship marketing (e.g., Borys and Jemison 1989; Håkansson/IMP-Group 1982; Morgan and Hunt 1994; Wilson 1995). However, like most work on marketing theory, and this dissertation as well, the relationship marketing theories draw upon and blend theories from other disciplines both within economic and behavioral paradigms. For example, economic theory (Kranton 1996; Telser 1980) and game theory (Axelrod 1984), as well as agency theory (Eisenhardt 1989), have explored the capability of incentive structures to produce cooperation between participants driven by self interest. Social exchange theory (French and Raven 1959; Emerson 1962; Gaski 1984) has focused on the cooperative effects of power sources and the exercise of power. Sociological research has explored the effects of social networks and interpersonal attachments (Granovetter 1985; Seabright, Levinthal, and Fichman 1992), and researchers on customer satisfaction (e.g., Fornell 1992) have focused on past performance as a means of stimulating cooperative behavior. It is important to notice that these mechanisms differ systematically. Incentives are structural properties. By that is meant that structural governance mechanisms, such as incentives, are crafted at the level of the participating firms and exist independently of the individual boundary personnel (Murry and Heide 1998). Conversely, development of close personal relationships aims at developing goal compability between individual boundary personnel in the two firms. As such, the interfirm cooperation depends on the persons temporarily involved. According to Murry and Heide (1998), incentives can promote cooperation regardless of the parties' cognitive or affective orientation towards the relationship, if properly crafted. Cooperation will, under such circumstances, emerge strictly on the basis of economic self-interest, rather than on prior attachments. The effects of incentives vs. satisfaction should also be recognized. Incentives relate to future gains (Telser 1980), while satisfaction relates to past performance. Research in economics (Kranton 1996; Telser 1980) suggests that past performance should be of less consideration to rational actors. Only the future should count. However, research shows an association between satisfaction and continuity intentions. What explains this relationship? Decision theory suggests that an incumbent supplier will always be at an advantage due to decision makers' loss aversion and preference for the status quo (Samuelson and Zeckhauser 1988; Tversky and Kahneman 1991). The status quo bias is increased by the buyer's decision ambiguity (Muthukrishnan 1995). During a series of experiments Muthukrishnan (1995) shows that an incumbent brand establishes an advantage over an attack brand when the decision environment is ambiguous and when the initial choice favors the incumbent. For example under conditions of ambiguity caused by non-overlapping attributes, experience offers undue advantage to the incumbent brand. Muthukrishnan (1995) assigns the experience effect to decreased sensitivity to new information and thereby inappropriate and higher levels of confidence in prior evaluations. Although speculative, Muthukrishnan's (1995) results might be transferred to marketing relationships. Ambiguous decision situations can be characterized as "situations in which available information is scanty or obviously unreliable or highly conflicting; or where expressed expectations of different individuals differ widely" (Ellsberg 1961, pp. 660-661). Consider the buyer decision of either switching to a new supplier or remaining in the relationship with the incumbent. In most industries, the future is uncertain and outcomes of alternative relationships can be difficult to evaluate without prior experience. As noted previously, satisfaction is an experience based evaluation of past performance. Thus, both loss aversion and satisfaction may act as reinforcements of prior decisions favoring the incumbent partner. It will be left to further research to explore more deeply the theoretical explanations of the effects of loss aversion and satisfaction on relationship continuation decisions.

A fourth mechanism for promoting cooperation is power. Conceptually, power or its inverse reflection, dependence (Emerson 1962), is designed to promote cooperation in a different fashion than some of the other mechanisms discussed. For example, both incentives, interpersonal attachments, and satisfaction are designed to enhance the buyer's motivation to cooperate by creating convergent interests in the relationship (Murry and Heide 1998). In contrast, power influences motivational compliance by enforcement (Gaski 1984). As such, power is a unilateral mechanism, although non-coercive power sources (rewards and expertise, see French and Raven 1959), have some bilateral governance properties.

Metatheoretical Challenges

In this dissertation the term marketing relationships is intended to mean interorganizational relationships. As such, the objective of relationship marketing is to promote cooperation at an organizational level. As discussed previously, interfirm cooperation can be affected by structural mechanisms existing at an organizational level, by interpersonal attachments between individual boundary personnel, and by sentiments, i.e. satisfaction. This raises questions about methodology for conducting interorganizational research, for example whether the theoretical level has been reflected by the method chosen. It is an unresolved question in interorganizational research which variables exist at an organizational level, which variables exist only at an individual level, and what the linkages between them are (Heide and John 1995). Furthermore, it is unclear which informant strategy to choose in this kind of research. In this dissertation, with the exception of chapter 5, single key informants are used. The idea behind choosing key informants is that these possess capabilities and organizational positions that enable them to reflect company policy and opinions held by their organization. Some researchers have been critical of using key informants (Phillips 1981), while others (John and Reve 1982) suggest that key informants can produce valid results when used carefully. Yet, as Heide and John (1995) note, the use of key informants is not necessarily a matter of convenience and budget constraints, but also a reflection of specialization and rationalization of organizational roles. This was the case for chapters 2, 3, and 4. However, even when the questionnaires are designed to tap company decisions and opinions, problems of linkages between variables at personal and organizational levels still remain. For example, consider the variables *personal relationship* (chapter 3) and *personal similarity* (chapter 4), and the general importance of interpersonal attachments between boundary spanning personnel. This dissertation and past research demonstrate the significant effect of these variables for promoting interfirm cooperation. Nevertheless, when decisions with respect to establishing and maintaining a marketing relationship are made at a higher organizational level, for example the board of directors, the significance of interpersonal attachments between lower range boundary spanners might be changed. The satisfaction construct may also be considered. Satisfaction is widely accepted as a relevant measure of past performance in marketing channel research (Dwyer and Oh 1987; Gaski 1984; Robicheaux and El-Ansary 1975; Ruekert and Churchill 1984). Anderson and Narus (1984, p. 66) define satisfaction "as a positive affective state resulting from the appraisal of all aspects of a firm's working relationships with another firm." Similar definitions have been given by other researchers (e.g., Molm 1991). This raises a question that has not been given much attention in interorganizational research: Do firms have sentiments, or can emotions, like satisfaction, only reside within the individuals constituting the organization? Since it is beyond the scope of this dissertation to discuss this issue thoroughly, it will be left for further exploration by others.

Another consideration is whether the research in this dissertation meets some general requirements of theory construction and testing in interorganizational research. Bacharach (1989, p. 498) states that "...researchers can define a theory as a statement of relationships between units observed or approximated in the empirical world" and "a theory may be viewed as a system of constructs and variables in which the constructs are related to each other by propositions and the variables are related to each other by hypotheses." Evidently, this dissertation relates variables by hypotheses which are empirically tested (chapters 2, 3, and 4), and it offers propositions for further exploration and testing (chapter 5). The next issue is whether the research meets falsification criteria in the way that the theory is constructed such that empirical refutation is possible (Bacharach 1989). According to Bacharach (1989), falsifiability relates to variables and constructs, as well as relationships. Falsifiability of variables relates to measurement issues, falsifiability of constructs relates to construct validity, while falsifiability of relationships relates to logical and empirical adequacy. Moreover, Troye (1994) suggests six principles on the basis of which the researcher should realize the general falsification principle. On the theoretical - conceptual level the research should be judged against these four principles: (1) are the theoretical statements tautological ? (2) are the statements falsifiable or are they only verifiable? (3) are the statements "self-evident"? (4) are the statements based on a thorough literature review where arguments pro and con are reasonable balanced? On the empirical- operational level two questions should be clarified: (5) are the empirical tests designed in such a way that they will provide a critical test and that alternative explanations can be excluded as far as possible? (6) are the results of the empirical tests critically discussed? Much of the research on power-dependence relationships has, for example, been criticized for weak operationalizations, tautological statements, weak test methodology, and modest empirical support (Gaski 1984; Nygaard 1994; Troye 1994), while the cross sectional survey methods commonly used for measuring marketing relationship governance have been criticized for their modest ability to represent the processes they are intended to measure (Anderson 1995; Wilson 1995).

Taken together, chapter 2 might be the weakest with respect to these criteria as the hypotheses can be criticized as being somewhat self-evident, whereas use of confirmatory factor analysis might have produced a stronger test of the measurement model. However, the study builds on an established research tradition and indicates a strong explanatory power for the dependent variables. Some of the critique that can be raised against chapter 2, has been met in chapters 3 and 4 by the application of structural equation modeling. Moreover, these studies investigate an unexplored research area and also improve the falsifiability of relationships by introducing contingency claims (chapter 4). Finally, the constructs and propositions offered in chapter 5 should provide promising avenues for future research and theory development.

Some notes on the analytical method applied in chapters 2, 3 , and 4 should also be made. Regression and structural equation models assume linear relationships between the variables although past research has indicated that curvilinear relationships might be as likely (Oliva, Oliver, and MacMillan 1992). Furthermore, as also noted by Bacharach (1989, p. 580), the actual ordering of the variables and the nature of their relationships (e.g., causal, simultaneous) can only take place on the assumptive level. However, this is not specific for the research of this dissertation, but applies to most marketing and interorganizational research in general (Nygaard 1994).

Methodological Challenges

Interorganizational research raises several methodological issues. Some of these have been addressed previously in this chapter and will be mentioned only briefly in this section. One is the level issue (Heide and John 1995; Klein, Dansereau, and Hall 1994; Rousseau 1985); which constructs exist at different organizational levels and does the research methodology reflect these levels? A general recommendation is that theory and research must explicitly address the role of level in organizational phenomena and the research must be designed accordingly (Rousseau 1985). A second issue is that of informants in interorganizational research (Campbell 1955; John and Reve 1982; Kumar, Stern, and Anderson 1993; Phillips 1981; Seidler 1974). Should the research use single key informants or would multiple informants produce more valid results? As mentioned in the previous section, researchers disagree on the appropriateness of using key informants (John and Reve 1982; Phillips 1981). Yet relying on key informant reports seems to be the most common approach in studies of interfirm relationships (Heide and John 1995). However, even if information is collected from multiple informants it is an unresolved problem how this information should be processed to reflect aggregate measures of company or interfirm traits. One design strategy to overcome the problem of whether a single informant can adequately represent his own firm's situation when dyadic comparisons are irrelevant, is to study smaller social units or organizations (Heide and John 1995).

Third, a related issue is whether dyadic data should be collected when doing interfirm research. As noted previously (p. 157), this dissertation, with the exception of chapter 5, builds on data from the buyer side of the dyad. Implications for this dissertation have been discussed (pp. 157-158, 164). However, a general comment often made is that marketing relationships are dyadic phenomena which also should be reflected in the research design. How valid is that comment? For practical reasons, dyadic data are seldom collected, but when they are, it is not clear how they should be treated. Some researchers (Phillips 1981) view lack of convergence between buyer and seller perceptions as a measurement problem.

On the other hand, Heide and John (1995) argue that lack of convergence among informants from different sides of a relationship dyad need not be a serious concern. The relevance of dyadic comparisons as an element of a measure-validation process may depend entirely on the nature of the substantive hypothesis being examined. For example, in their study of distributor and manufacturer partnerships Anderson and Narus (1990) collected dyadic data, but analyzed each side of the dyad separately. The results showed that manufacturers and distributors emphasized different aspects of their working relationship with the other party. This result illustrates Heide and John's (1995, p. 543) argument that "... firms will act upon their specific interpretation of a situation, regardless of whether the firm's perception is accurate or converges with that of its exchange partner."

A fourth issue is the question of appropriate methods for measuring evolving processes, as discussed in previous sections of this dissertation. Buyer - seller relationships are processes (Wilson 1995). However, cross-sectional surveys at one point in time are dominant in interfirm relationship research. The need for process oriented research is acknowledged (Wilson 1995). However, it has also been suggested why longitudinal field research will hardly ever be conducted, due to administrative obstacles, the academic reward system, or problems with finding the appropriate time lag (Anderson 1995).

Strategic Challenges

Basically relationship marketing poses two strategic challenges to a firm: (1) When should relationship marketing (a cooperative strategy) be preferred? (2) How should a marketing relationship be successfully managed, i.e. established, maintained, and enhanced? First, central to relationship formation is the mutual creation of value (chapter 5), because as argued by Sheth and Parvatiyar (1995b), the benefits of relationship marketing accrue to a marketer if, and only if, customers are able and willing to engage in relationship patronage. As reported in chapter 1, creation of value pertains to both efficiency and effectiveness. One strategic challenge then is to detect the conditions under which mutual value can be created that cannot be obtained by simpler arrangements. This dissertation suggests, supported by other literature (Pfeffer and Salancik 1978; Williamson 1985; Zajac and Olsen 1993), that value creation requires specific investments in equipment and human capital, adaptation of products and working processes, as well as reliance on the other party's capabilities. However, specific investments and reliance on outside partners increase the company's dependence with loss of flexibility and control as possible outcomes. The benefit of choosing a cooperative strategy is added value beyond what can be achieved by short-term orientation (Kalwani and Naryandas 1995). The risk is exposure to opportunistic behavior from the partner, which might be aggravated when environmental uncertainty is high.

A third and a fourth challenge is managing the relationship in a way that (3) value is created and (4) the negative effects of dependence and uncertainty are reduced. Interestingly, Porter (1980) suggests that dependence on and commitment to individual customers should be avoided in the first place, which implies adopting to a competitive strategy. Conversely, Buchanan (1992) demonstrates that highly interdependent relationships under conditions of high uncertainty are superior in creating value compared to unilateral dependent or low bilateral dependent relationships. Unfortunately, the value creation processes of marketing relationships are not well understood (Anderson 1995). Past research has emphasized either processes and mechanisms for controlling partner opportunism or processes and mechanisms affecting aspects of cooperative behavior other than value creation. As pointed out, it should represent a challenge for the marketer to explore further whether value creation is affected by the same processes that affect cooperativeness in general, or whether value creation and other aspects of relationship management require different sets of mechanisms.

Ethical Challenges

Relationship marketing practices might be criticized as unethical for their emphasis on customer retention and repurchase, thereby creating "monopoly" and possible lock-in effects. As a result societal and individual efficiency might be reduced, due to lack of competition (Gundlach and Murphy 1993). The "monopoly" argument has been put forward especially in consumer markets, even if it also applies to business markets. First, this dissertation does not deal with business-to-consumer relationships, but has explored some aspects of relationships between professional buyers and sellers. Second, as has been discussed previously in this dissertation, the concept of relationship marketing is used in a broader sense than customer retention. In the following, the discussion will be confined to two ethical aspects of relationship marketing between professional parties; ethical behavior and ethical consequences.

To start with, what is ethics? As noted by Gundlach and Murphy (1993) ethics involves perceptions regarding right and wrong. However, discussions of ethics could easily turn into self-evident and little compelling statements about the importance of being nice, trustworthy, fair, and reciprocal. Therefore, it is tempting to quote Rubin (1990, p. 165): "I will use the term as being synonymous with efficient. Any behavior which is efficient will be considered ethical. Efficient behavior is value maximizing." This statement needs some clarification. One question is value maximization for whom? As an economist Rubin assumes self interest seeking parties to the economic exchanges. That is, each party is trying to maximize its own value, which may give rise to opportunistic behavior. Opportunistic behavior is probably widely accepted as unethical. In Williamson's (1985, p. 30) terms opportunistic behavior means "self-interest seeking with guile" or as Rubin (1990, p. 164) defines it, "a form of cheating....or shirking." Economic theory, like transaction cost economics and agency theory, recognizes that opportunism might occur and that it is counterproductive in relational exchanges. How can costs of opportunism be controlled? One strategy might be to behave ethically. As Rubin (1990, p. 164) notes, "To the extent that opportunism can be viewed as a form of cheating, it might appear that we could rely on ethical behavior as a way to control shirking." On the other hand, when parties are already transacting, it should be possible to structure the relationship so there would be little reason for the parties to rely on ethical behavior for efficiency. For example, governance mechanisms such as compatible incentives and contractual devices can be crafted in such a way that it will pay for parties to engage in all efficient transactions; in other words to behave ethically (Rubin 1990), because both parties receive their fair share of the value created. However, the argument can be turned around. In relational exchanges, where the parties are expecting recurrent, long-term transactions, it simply pays to behave in a way that is considered ethical, that is trustworthy, fair, committed, reciprocal (Axelrod 1984). In other words, ethical behavior is efficient behavior (Rubin 1982). As noted previously, one objective of relationship marketing is to achieve marketing efficiency and effectiveness by cooperation and interdependence (Sheth and Parvatiyar 1995a). Thus, relationship marketing could be considered ethical when it is efficient and effective, or more efficient and effective than other marketing strategies. A challenge is then to decide when and which relationship marketing activities are efficient and effective.

It should also be noted that transaction cost economics and agency theory have been criticized as being inherently unethical by considering the parties to a transaction as being opportunistic and in a way legalizing that kind of behavior (e.g., Goshal and Moran 1996). This view is unjust to the theories. Williamson (1996) or Rubin (1990) do not approve of opportunism, but argue that it may exist. Thus, it would be unwise, and maybe unethical, not to make provisions ex ante to reduce problems with opportunistic behavior ex post. As such, relational governance, or relationship marketing, might be one way of controlling partner opportunism when market governance fails. Stated otherwise, the objective of relationship marketing is not to create a lock-in situation for exploitation of the other party per se, but by anticipating possible negative lock-in effects, efficient organizational responses and appropriate governance mechanisms can be crafted. It can be argued that equalizing ethics and efficiency might be narrow in scope. However, as noted previously, one ethical concern of relationship marketing has been the possibility of one party being locked in, giving the other party a chance to act in an opportunistic fashion by exploiting its position unilaterally. Appropriate governance mechanisms or ethics might both control negative effects and increase efficiency. Finally, when discussing ethics either in a general marketing or in a relationship marketing context, ethical behavior is seldom a fixed norm. For example, gifts, return-commissions, or nepotism might be considered as highly legal and ethical relationship building mechanisms in some cultures and as highly unethical in others. What should a marketer do? Rubin's (1990, p. 195) advice may sound cynical, "...it does not pay for you to be more ethical than those which whom you are transacting. If all parties to transactions routinely engage in opportunism and you do not, then you will find yourself taken advantage of and will ultimately be eliminated from the market." In other words, if bankruptcy, and as a result, loss of equity, loan capital, and jobs would be a consequence of "ethical" behavior, would that behavior still be ethical? It would go beyond the scope of this dissertation to explore this ethical issue further. Nevertheless, managers have to deal with it, for example when doing business in foreign cultures. Anecdotal evidence indicates that internationally experienced firms and managers may have different opinions from national authorities and managers with more limited experience on that subject.

As discussed, relationship marketing can be efficient at the dyadic relationship level. What about third party consequences and effects on marketplace competition? Table 1.2, p. 11 (chapter 1) suggests a move towards dual or single sourcing arrangements which probably creates higher entry barriers for outside or new suppliers. As a digression, it can be noted that establishment of barriers to entry may not be a germane effect of relationship marketing, but is recommended as an element of a competitive strategy (Porter 1980). Is an entry barrier more unethical in one context than another? Perhaps the problem is a general problem of industry concentration rather than of relationship formation. Nevertheless, what can be learnt from previous research? Kalwani and Narayandas (1995) found that relational oriented firms performed better than transactional oriented ones over a five year period, achieving better sales, lower costs, and better return on investments, yet lower prices and margins. These results indicate that cooperation may be as efficient as competition with respect to resource allocation and utilization. Although not studied explicitly, lower supplier prices combined with cost reductions would suggest eventual positive third party effects. In a recent study within the professional banking sector, economic terms and access to a broader product and service range from an entrant bank were found to be more important to supplier switching intentions than switching barriers were to affecting customer retention (Biong, Brechan, and Wathne 1998). Moreover, economic terms and product range offered by the entrant bank showed a positive effect on renegotiation intentions with the incumbent bank. The findings of Biong et al. (1998) suggest that relationship marketing does not prevent marketplace competition based on product and price. Hunt and Morgan (1994) argue that relationship marketing shifts competition from company level to a network or marketing system level. In other words, networks compete against other networks rather than firms against firms. For instance, McDonald's and Burger King compete against each other as franchise systems rather than as individual restaurants. Competition and efficiency will be taken care of, as long as a sufficient number of networks exists. However, little research has been conducted on macro effects of network formation, especially in small markets like the Norwegian. Finally, the findings of Wilson (1981) might provide some insight. In his study of the New England fresh fish market Wilson (1981) found long-term contractual arrangements between fishermen and buyers to be efficient for the dyadic transactions, but inefficient for the functioning of the market, caused by suppression of the flow of market information. Wilson's (1981) study does not address the lock-out or the network competition problem mentioned previously. However, it illustrates how close relationships might impede new information and thereby give the parties a false impression of success (Bradach and Eccles 1989; Ladegård 1997). Again, is relationship formation unethical with respect to third party consequences? The research referred to gives no clear-cut answer. Following the arguments put forward above it should be unethical, when it means inefficient use of resources as found by Wilson (1981). On the other hand, other studies (Biong et al. 1998; Hunt and Morgan 1994; Kalwani and Narayandas 1995) do not suggest that market efficiency is negatively influence by relationship formation.

Suggestions for Further Research

The area of marketing relationships and relationship marketing is receiving considerable attention from academic scholars. This dissertation might have made a contribution to the area by its identification of some underlying processes of relationship formation and management. However, as pointed out in previous sections in this dissertation questions still remain for further research. Some of these have already been discussed. Therefore they will only be treated briefly in this section. Directions for further research can be categorized into two areas. One research area is within the processes of establishment, management and outcomes of relationship marketing. Another is within methodology for conducting research on interorganizational relationships.

Consider first the area of relationship formation and management. Chapter 5 of this dissertation delineates a framework of constructs and propositions on impediments to engagement in partnering relationships. As pointed out, this study was explorative and qualitative in its nature. One direction for future research could therefore be to validate both the constructs and propositions by quantitative research. Interesting results could be achieved by doing the research under various market conditions to control for external influences.

This dissertation has emphasized marketing processes, or more specific salesperson activities, for managing marketing relationships. As indicated by the results, effective salesperson behavior in established long-term relationships might differ from what is effective at the establishment stage or even in transactional oriented exchange relationships. In this vein, the relational contracting literature suggests that transactional performance is short-term and tied to the output of each transaction, while relational performance is long-term, difficult to measure, and often tied to the display of system relevant attitudes including psychic and future benefits (Dwyer, Schurr, and Oh 1987; Heide 1994; Macneil 1980). Usual sales performance measures such as sales volume and sales quotas shift risk to the sales representative and tend to foster a short term orientation (John and Weitz 1989; Oliver and Anderson 1994). Moreover, as noted by Cravens et al. (1993) many sales organizations and researchers do not distinguish between the performance of sales people and the effectiveness of the sales organization, which is surprising because a considerable body of empirical research has found that variation in sales organization effectiveness can be explained by environmental and organizational factors, as well as by salesperson factors. Therefore, relevant salesperson outcome performance measures in established marketing relationships might differ from performance measures applied in transactional exchanges (cf., Anderson 1982, Cravens et al. 1993; Oliver and Anderson 1994). One attempt to develop such an outcome performance measure was made in chapter 3. However, the results suggested a need for improvements of that measure for future research, as well as a need for improvements of some scales of salesperson behavioral performance. Moreover, relevant relational performance measures in general are an unexplored research area (see Barney 1997 for an overview of company performance measures).

Are relationship management mechanisms universally positive or negative, or are their effects dependent on characteristics of the relationship? This question was asked in chapter 4 and the results suggested interaction effects between relationship governance mechanisms and relationship characteristics. In other words, the effect of the governance mechanisms might depend on the type of or stage in the relationship (Weitz 1981; Wilson 1995). While these effects are still underresearched, this might be a promising area for further exploration in future research. A related question might be whether these effects are not only affected by relationship characteristics such as mutual or unilateral dependence, but also by industry characteristics. For example, the research context for this dissertation is marketing relationships between buyers and suppliers of goods for input or support in production (chapter 3 and 4) or for resale (chapter 2). Although performance ambiguity at some stages of the relationship might be high, routinization of processes and standardization of the goods delivered will eventually take place with reduction of difficulties in performance evaluation as a consequence. Stated otherwise, the relationships evolve from being based on credence and experience characteristics to search properties (Rubin 1990). However, relationships characterized by high levels of information and knowledge asymmetry even after long-term interaction might alter the effects of governance mechanisms as well as the role of boundary spanners. Examples are relationships between providers of highly specialized professional services such as management consultants, advertising agencies, engineering consultants, corporate financial services, and lawyers and their clients. The boundary spanning role as well as governance and value creation mechanisms in such relationships should be a fruitful avenue for other aspects of relationship management.

Is there a theory of relationship marketing? Can a theory be developed? A compelling direction for further development of the theoretical framework of relationship marketing can emerge by building on Anderson's (1982) framework of marketing, strategic planning and the theory of the firm. Anderson (1982) reviews four theoretical models of the firm: (1) the neoclassical model, (2) the market value model, (3) the agency cost model, and (4) the behavioral model. His basic proposition is that these models differ systematically in their theoretical foundation, which has strong implications for the input (independent) and output (dependent) variables that are relevant to study. For example, these implications are relevant to the neoclassical model that views the firm as production function for single period profit maximization. Transferred to marketing relationships, relationships in a neoclassical perspective can be seen as organizational forms for long term value maximization, irrespective of the underlying processes. Transaction cost economics has addressed some research questions that can by analyzed in such a framework, for instance the circumstances under which relationships (hybrids) are most efficient with respect to economizing on transaction costs. In addition, the empirical work of Kalwani and Naryandas (1995) and of Noordewier, John, and Nevin (1990) has provided some insights into the effects of relationship on value maximization. However, with the exception of the work of Kalwani and Narayandas (1995), little is known about the effectiveness of marketing relationships, which should be a promising area for empirical research. Next, in a market value perspective (Anderson 1982), the firm can be viewed as a portfolio of relationships with the objective of maximizing the firms' present value. Important research issues under a market value perspective would be methods for estimating risks, duration, revenues and costs of management and enhancement of a firm's external relationships to determine their value to the firm. Third, marketing relationships could be analyzed in an agency cost framework (Anderson 1982). An agency relationship is present whenever one party (the principal) depends on another party (the agent) to undertake some action on the principal's behalf (Bergen, Dutta, and Walker 1992). Important aspects of buyer-supplier cooperation are to draw upon resources of and to perform activities on behalf of the other party to fulfill relational goals (Biong, Lostad, and Wathne 1996). For example the buyer (the principal) engages a supplier (the agent) to develop specific products, services or operational procedures in order to improve the buyer's productiveness or competitiveness. However, in any relationship of this sort, there is a potential for the agent to expend some of the principal's resources on private pursuits (Anderson 1982). For example, an advertising agency might recommend a media mix that provides high commissions to the agency, even if another media mix might be more effective for target group coverage. Interesting directions for future research on relationship marketing under an agency costs model perspective could be whether the mechanisms that aim at reducing agency costs also will be appropriate for enhancing relationship value creation. Following Anderson's (1982) reasoning the research questions suggested by the agency costs model of marketing relationships lead to the fourth research perspective, the behavioral or process oriented model of relationship marketing. One assumption under a behavioral model of relationship marketing is that buyers and sellers pursue different goals as chapter 1 suggests (cf. Anderson 1982). Important directions for further research under a behavioral perspective would be to (1) identify relevant performance variables derived by relationship purposes and (2) identify the marketing roles and variables that will be instrumental for relationship performance. As Anderson (1995, p. 348) notes, "The essential purpose for a customer firm and supplier firm engaging in a collaborative relationship is to work together in ways that add value or reduce costs in the exchange between the firms. ..... Yet how value was added and costs reduced and assessing these in monetary terms appears to be both exceedingly difficult and seldom done."

Turning to the methodological challenges discussed previously in this chapter, as noted these challenges are tied to the level issue, the informant issue, the issue of dyadic or one-sided data, and the issue of causal ordering of constructs and variables when studying collaborative processes. First, at the level issue it is unclear which constructs exist at an organizational level, which constructs exist at an individual level and what the relationships are between these constructs. The problem arises when organizational level constructs (e.g., price, specific investments in fixed capital), and individual level constructs (e.g., interpersonal attachments, trust, satisfaction) both are incorporated in the same research to study interfirm cooperation. The question is whether the results would be altered if another informant had been chosen. Some will argue that this is a problem of choosing the appropriate research design. Nevertheless, it should still be an important area for further research to investigate how constructs with origins in personal sentiments, such as trust, satisfaction, or affect can exist at an organizational level and reflect corporate decisions and attitudes. Second, the informant issue has received some attention in past research (Kumar, Stern, and Anderson 1993; Phillips 1981; Reve and John 1982), but methodological questions remain. Single key informants dominate as the main information collection method in interfirm research, usually with a reference to Rève and John (1982) that this is unproblematic when used carefully. But is it unproblematic? Appropriate use of single key informants and also treatment of multi-informant data should still be an area for further methodological research. Third, and related to the key informant issue, is the issue of collecting dyadic or one-sided data in interfirm research. As noted by Heide and John (1995) one sided data collection might be appropriate when the actions of one party completely depend on its own perceptions. Yet more research could be done to reveal areas where the parties agree or disagree, and to explore apt methods for processing dyadic data. Finally, and perhaps the most challenging area for further research, could be to develop research methods that reflect the processes and time-lags between inputs and outputs, rather than the cross-sectional surveys that have been most prevalent till now.

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