

How to categorise buyer-seller relationships into manageable components - an exploratory study

Trond Hammervoll

Harstad University College, Harstad, Norway, and

Kjell Toften

Norwegian Institute of Fisheries and Aquaculture Research
and

Norwegian College of Fishery Science, University of Tromsø, Tromsø, Norway

Contact details:

Trond Hammervoll (PhD), Associate Professor

Harstad University College

Havnegata 5

NO-9480 Harstad

Norway

Phone: (+47) 77 05 82 25

E-mail: trond.hammervoll@hih.no

Kjell Toften (PhD), Scientist and Associate Professor

Norwegian Institute of Fisheries and Aquaculture Research

P.O. Box 6122

NO-9291 Tromsø

Norway

Phone: (+47) 77 62 90 31

E-mail: kjell.toften@fiskeriforskning.no

How to categorise buyer-seller relationships into manageable components - an exploratory study

Abstract

The purpose is to explore how firms can differentiate and classify collaborative partners in terms of value creation. 14 in-depth personal and structured interviews of key informants in 14 firms were used as the data collection method. The setting selected for this research is Norwegian exporters and French importers.

Based on a literature review, four relationship components were suggested. These were termed logistics synchronisation, unilateral learning, unilateral development and bilateral learning. These relationship components were then further explored through empirical research. The results show that the firms had less knowledge than we initially expected regarding their partners' strategic importance, and consequently, few firms have developed strategies for differentiating between their collaborative partners. We suggest the following approach to remedy this: The first step is to decide which cooperative activities to strive for, and which relationship component which need to be established. The second step is to determine the required focus of coordination and evaluate how to build the required operational and/or organisational linkages to the partner firm.

Introduction

We know that firms can create competitive advantage by cooperating with other firms (Hagedoorn, 1993; Blankenburg *et al.*, 1999; Dyer, 1997; Wilson, 1995; Anderson *et al.*, 1994; Sheth and Sharma, 1997). While it is well known that firms previously added value by nurturing and building competencies internally, recent research (e.g. Prahalad and Ramaswamy, 2000; Kay, 1993) point to how managers now add value to their firms by designing and managing collaborative partnerships. This means that an increasing number of firms perceive the strategic management of customer-supplier relationships as core competencies in their efforts to unleash superior creativity and to benefit from expertise arising from these sources and relationships (Sahay, 2003; Tyndall *et al.*, 1998).

How can firms actually achieve such beneficial relationship cooperation? Recent work emphasises that the buyer-supplier dyad is key to effective supply chain management (e.g. Håkansson and Snehota, 1995). However, recommendations in the literature are often of limited use because they consider buyer-seller relationships in general, regardless of the nature of cooperation. For example, research on channels of distribution praises the benefits from applying formalized, centralized administrative planning (Dyer, 1997), while IMP-research praises the role of trust in enhancing learning and innovation in buyer-seller relationships (Anderson *et al.*, 1994).

In order to better answer this question it is beneficial to first have a sincere understanding of the different options, because firms can cooperate in different ways by forming various types of relationship components characterized by different logics of value creation (Borys and Jemison, 1989). Such understanding is required for a subsequent successful assessment and measurement of these relationships. Furthermore, the notion of relationship components explicitly recognizes that a buyer-seller relationship can entail multiple cooperative arrangements, whereof each requires its own management strategy (Malone and Crowston, 1994).

To the authors' knowledge, Gulati and Singh (1998) made the first attempt to interpret different types of cooperation between firms by using a dichotomous typology of relationship components from the perspective of value creation. Based on the work by e.g. Borys and Jemison (1989) and Thompson (1967), Gulati and Singh (1998) categorized relationships into two different components, sequential and reciprocal interdependence situations, according to the partners' expressed motivations for cooperation.

An alternative approach could be to categorise cooperation based on actual cooperation, since cooperation may not be sufficiently described as either sequential or reciprocal interdependence situations. However, there is no such alternative approach in the literature, and this is probably why research in this area has been speculating about motives rather than mapping actual cooperation (Gulati and Sing, 1998; Contractor and Lorange, 1988; Hagedoorn, 1993). One consequence is that rational and analytical motivations for cooperating have received too much attention, since they provide acceptable grounds and legitimise cooperation, even though social, psychological and emotional motivations are known to play a significant part of this (Tallman and Shenkar, 1994).

There is a need for developing the understanding of different relationship components, by drawing upon the literature and suggesting a suitable typology as an initial step. The background and benefits of this are multiple. First, we currently lack comprehensive conceptual tools for categorising and distinguishing between types of value creation logic. This is demonstrated in the broad and vague literature recommendations, the little guidance for practitioners, and the subsequent loss of value creation in actual relationships. Second, the development of such a typology would allow for more precise descriptions of how value creation occurs, and thus improve the general understanding of value creation, reduce speculation and improve the measurement of the nature of relationships. Third, an established typology of relationship components could allow for a subsequent differentiation of the governance/management of interdependence types, and thus, provide grounds for prioritising among relationships and allocating resources accordingly, increasing value creation, and for identifying different value creation initiatives.

The purpose of this study is to investigate relationship components in terms of their qualitative nature. More specifically, the purpose is to learn more about relationship components in specific contexts (i.e. in different industries), and thus gain insights into how convenient our proposed typology for categorising interdependence situations is perceived to be. The insights gained constitute the basis for subsequent measure development and value creation, and provide scholars and practitioners with specific recommendations for how to efficiently manage different relationship components.

In the following, existing literature of the nature of relationships and motives for cooperation is examined and extended to ongoing cooperation, resulting in the suggested relationship components and a corresponding typology. Then, the methodology for an accompanying in-depth study for further scrutinizing this topic is provided, followed by its findings and discussion. Finally, this paper concludes by summarizing this study's major findings on different relationship components and providing managerial implications, research limitations and suggestions for further research.

Conceptual Aspects

Based on Håkansson and Snehota's (1995: 1) definition of an inter-firm relationship: "mutually oriented interaction between two reciprocally committed parties", we define buyer-

seller relationship as a relationship between a buyer and a seller. This definition underscores that two firms in a buyer-seller relationship produce something they could not otherwise achieve on their own, when sharing resources and working together.

Relationship components

Relationship components are defined as cooperative activities in buyer-seller relationships (Borys and Jemison, 1989: 235):

Organisational arrangements that use resources and/or governance structures from more than one existing organisation.

Relationship components differ according to their value creation logic. Value creation logic is defined in terms of: 1) the nature of interdependence in the buyer-seller relationship, 2) objectives and 3) the required focus of coordination (Borys and Jemison, 1989).

Interdependence is either sequential or reciprocal (Thompson, 1967). Under sequential interdependence, one actor's action precedes the other actor's actions in time. Thompson (1967: 54) gives the following example: "Keokuk must act properly before Tucumcari can act; and unless Tucumcari acts, Keokuk cannot solve its output problem." Under reciprocal interdependence the actors exchange outputs between them and continuously need to learn from/adapt to each other. Thompson (1967: 55) illustrates this with the following example: "This is illustrated by the airline which contains both operations and maintenance units. The production of the maintenance unit is an input for operations, in the form of serviceable aircraft; and the product (or by-product) of operations is an input for maintenance, in the form of an aircraft needing maintenance."

Establishing a relationship component means that there is some expectation that some objectives will be met. Under sequential interdependence the objective is to reduce coordination costs and achieve operating cost efficiency. Under reciprocal interdependence, the objective is to achieve bilateral learning (Borys and Jemison, 1989).

The focus of coordination is either operational or organisational linkages. Simatupang *et al.*, (2002: 293) define an operation linkage as the interface between the buyer and seller where they need to integrate and coordinate their joint interdependent processes and information flows that allow them to carry out logistics planning and day-to-day transactions. Organisational linkages include interaction between more central organisational parts in the two organisations – in order to learn about each other's organisations in terms of decision making procedures, preferences (Borys and Jemison, 1989; Simatupang *et al.*, 2002).

According to Borys and Jemison (1989) there are two types of relationship components, which we choose to term "logistics integration" and "bilateral learning". In logistics integration there is sequential interdependence, where the objective is coordination cost efficiency, and the required focus of coordination is the operational linkage. In bilateral learning there is reciprocal interdependence, where the objective is joint learning, and the required focus of coordination is the organisational linkage. Both types can be found in a single buyer-seller relationship. For example, the buyer and the seller can cooperate in logistics synchronisation, improving joint logistical performance, while they at the same time also run a project where the aim is to permit joint learning.

Hammervoll (2006) suggests two additional types of relationship components: unilateral learning and unilateral development. As for logistics integration, unilateral learning entails

sequential interdependence, but differs from logistics synchronisation in that: 1) The objective is different: only one party improves his/her competitive advantage, and 2) the focus of coordination encompasses organisational linkages, as opposed to operational linkages. In unilateral learning, successful value creation is indicated to the extent that the buyer or the seller learns on the basis of information from the other – one party sends and the other party receives information.

In unilateral development there is reciprocal interdependence, but unilateral development is different from bilateral learning in that it has a different objective – unilateral improvement of competitive advantage. In unilateral development, successful value creation is indicated to the extent that there is buyer or supplier development. The objective is unilateral development and the focus of coordination is the organisational linkage.

In the following we review the literature in order to judge the appropriateness of this typology on relationship components in buyer-seller relationships. Does it cover the relevant objectives that buyers or sellers pursue in cooperative activities typically found in buyer-seller relationships, or will the inclusion of more types add value to our understanding of cooperation in such relationships? First we look into theoretical contributions regarding the motives for cooperation. Then we turn out attention to empirical observations of cooperation in buyer-seller relationships reported in the literature.

Motives for cooperation

Contractor and Lorange (1988) provide a list of seven more or less overlapping motives firms have for cooperating with other firms. A less general list is offered by Hagedoorn (1993) who considers motives for cooperating in technological development and search for opportunities. Motivations related to concrete innovation processes seem to be of particular relevance for vertical relationships. For example, there are bridgehead relationships and motives for reducing the period between invention and market introduction. Nevertheless, Hagedoorn (1993) focuses only on buyer-seller relationships where the seller is a supplier of technology. Also, there are motives related to market access and search for opportunities (i.e. monitor environmental changes and opportunities and access foreign markets, new products or new markets). Gulati and Sing (1998) represent so far the only attempt to study (motivation for) cooperation in an interdependence perspective. Drawing on Thompson's (1967) notions of sequential and reciprocal interdependence and cooperation theory (Contractor and Lorange, 1988 and Hagedoorn, 1993), Gulati and Singh (1998) interpret motives as gaining access to new markets or new products as indicative of sequential interdependence. On the other hand, motives regarding sharing complementary technology, jointly reducing the time span of innovation and joint development of new technology indicate reciprocal interdependence. As they are interested in horizontal alliances, they ignore vertical quasi-integration and unilateral technological transfers (even though they discuss such transfers). Furthermore, they ignore motives regarding overcoming government regulations, co-opting or blocking competition and economies of scale from Contractor and Lorange's (1988) list over possible motivations.

According to Thompson (1967), sequential interdependence entails that one party's action precedes the other's action, while under sequential interdependence the parties interact and adapt to each other. Thompson's (1967) argument is that coordination costs are higher when the parties interact and adapt, as compared to when their activities are serially arranged. Hence, Gulati and Singh (1998) take the position that if the parties cooperate in terms of carrying out transactions of any kind, this is an indication of sequential interdependence.

When cooperation entails joint learning there is reciprocal interdependence, and Gulati and Singh (1998) name this kind of relationship component as bilateral learning.

Gulati and Singh (1998) studied the following relationship components:

- Sequential interdependence (access to new markets through a partner with marketing/distribution prowess in those markets, access to new products provided by the partner)
- Reciprocal interdependence (sharing complementary technology, jointly reducing the time span of innovation, joint development of new technology)

We agree that unilateral transfers of technology represent by itself no cooperation when the supplier acts as a supplier of technology which is paid for. However, when the supplier delivers products and also provides valuable information or guidance, such technological transfer is indicative of cooperation. Further, the possibility of establishing a more efficient value-chain through vertical quasi-integration seems necessary to include in our list on potential motivations for cooperation in vertical relationships.

Ongoing Cooperation

Instead of examining motivations for cooperation, an alternative approach is to study in what ways the parties in an ongoing cooperation actually depend on each other. Such an attempt does not seem to have been made in previous research. Here, the central dimension for discriminating between different relationship components is the value creation logic: 1) interdependence, 2) objectives and 3) focus of coordination. Interdependence is sequential whenever the outcome of one party's actions is a "product" that is not further processed. When the partner treats the outcome as a "semi finished good" in an interactive productive process, there is reciprocal interdependence.

Unilateral learning differs from logistics integration in that both the objectives and the focus of coordination is different. Information is delivered but not paid for. For example, a buyer can be a demanding customer (Porter, 1980), which means communicating desired product attributes which encourage suppliers to improve their products on a regular basis. Another example is provided by Chetty and Eriksson (1998) who describe how exporters use importers in order to learn about a new market and how to export to it. The other way around, exporters can provide information to foreign distributors regarding products and markets (Shipley *et al.*, 1990). Raia (1991) describes how Rank Xerox has reduced product development lead-time. This is mainly due to supplier suggestions (e.g. on improvements in quality and material savings), after these have been encouraged to participate more in this development work. Von Hippel (1988) makes similar observations. Hence, such information is not exchanged in operational linkages – more central parts of the two organisations are involved – and the required focus of coordination is the organisational linkage.

Similarly, unilateral development involves reciprocal interdependence situation that is different from bilateral learning in that there is unilateral as opposed to bilateral learning. Gulati and Singh (1998) experienced that interdependence can be reciprocal as perceived by one party, but sequential as perceived by the other party. For example, in supplier development the supplier develops own capabilities, but the buyer does not, although the buyer may take an active part in the development work. The buyer in fact interacts and provides feedback as a coach, while the supplier experience this as a "teamwork effort" as under reciprocal interdependence. Supplier development is one cooperation type that,

following the recommendations of Gulati and Singh (1998), occurs under sequential interdependence since there is no joint learning. However, Handsfield *et al.* (2000) underscore that supplier development is challenging and requires both firms to commit resources to the work, share information and create effective means for measuring performance. Handsfield *et al.* (2000, p. 37) define supplier development as “any activity that a buyer undertakes to improve a supplier’s performance and/or capabilities to meet the buyer’s short or long term supply needs”. Clearly, the buyer has to understand the supplier’s organisation and must be capable of making contributions that are valuable to the supplier in his efforts for improving own performances. Obviously, the required focus of coordination is an organisational linkage.

Examples of such activities are training, providing incentives to improve performance and monitoring (Krause, 1997). Watts and Hahn (1993) find that improvement in product quality is the most important goal of supplier development programs. The other way around, exporters can develop their distributors by means of monitoring and constructive guidance of foreign distributors (Bello and Gilliland, 1997). Borys and Jemison’s (1989) definition of value creation explicitly recognises that competitive advantage can be improved unilaterally, but in terms of relationship components, only the bilateral learning has been studied so far (Gulati and Singh, 1998). Krause *et al.* (1998) make the point that unilateral supplier development is more likely in markets characterised by high rates of technological change, and markets characterised by high levels of competition.

The resulting list over possible motives is shown in Table I.

Take in Table I here

Summary of the Suggested Types of Relationship

1. Logistics integration.

In such relationship components money, products and/or services are exchanged. Successful value creation is indicated to the extent that there is coordination cost efficiency. Typically, the buyer requires information regarding the suppliers production processes, delivery reliability and so forth, and the supplier requires information regarding technical specifications and delivery schedule in order to handle the point of contact with the other party better (Borys and Jemison, 1989), relaying on an operational linkage.

2. Unilateral learning

The buyer or seller learns something on the sole basis of input from the other. It is for example possible to use received information about products or markets for making improvements (Gulati and Singh, 1998). Chetty and Eriksson (1998) describe how inexperienced exporters can use domestic importers as bridgeheads in order to learn about local businesses, institutions and internationalisation. Porter (1980) describes how customers that demand innovative solutions stimulate suppliers to develop innovative products. Shipley *et al.* (1990) describe how exporters motivate their foreign distributors by providing product and market information, training etc. Raia (1991) describes how Rank Xerox has reduced product development lead-time. This is mainly due to supplier suggestions (e.g. on improvements in quality and material savings), after these have been encouraged to participate more in this development work. Von Hippel (1988) makes similar observations.

3. Unilateral development

The buyer or seller deepens, broadens or develops new skills in an interactive process with the partner. For example, if the buyer understands the supplier's organisation s/he is capable of making contributions that are valuable to the supplier in his efforts to improve own performances. Handsfield *et al.* (2000:37) define supplier development as "*any activity that a buyer undertakes to improve a supplier's performance and/or capabilities to meet the buyer's short or long term supply needs*". Examples of such activities are training, providing incentives to improve performance and monitoring (Krause, 1997). Watts and Hahn (1993) find that an improvement in product quality is the most important goal of supplier development programs. Then there is buyer development (see e.g. Bello and Gilliland, 1997), which suggests that insightful monitoring can improve performance in relationships between exporters and foreign distributors. Krause *et al.* (1998) make the point that unilateral supplier development is more likely in markets characterised by high rates of technological change, and markets characterised by high levels of competition.

4. Bilateral learning

When the parties are reciprocally interdependent, the parties need to learn from each other and hence their capabilities are jointly affected (Borys and Jemison, 1989). Successful value creation is indicated to the extent that there is joint learning effectiveness. In their work, Sivadas and Dwyer (2000) treat new product development work in alliances, as synonymous to a reciprocal interdependence situation. Borys and Jemison (1989:246) describe how suppliers become integrated in the buyer's production processes and "*they work closely with the firm to make suggestions about improving product quality, new materials... etc.*". Compared to Gulati and Singh (1998), Borys and Jemison (1989) overlook the existence of unilateral development, even though their definition of value creation does not exclude the idea of such a relationship component.

Methodology

Design and setting

In order to examine relationship components, an exploratory approach was found appropriate. Past research on the types and content of firm relationships is scarce, and in cases where relatively little is known about the phenomenon to be investigated, exploratory research is recommended (Churchill, 1979). Structured in-depth personal interviews of key informants were used as the data collection method in order to allow for discussions and follow-up questions. This method allows insight into the respondents' own interpretations of their environments and improves the researcher's possibility for understanding underlying or latent constructs (Miles and Huberman, 1994). The unit of analysis is the dyad. International dyads (Exporter-importer relationships) were chosen for this study.

Sampling was conducted on an industry-to-industry basis. Respondents within each industry were identified by academics with good knowledge about the industry in questions. Firms were contacted with this person as a reference, which seemed to increase the likelihood for respondent participation. 14 key informants (11 Norwegian exporters of seafood, furniture, technical- and chemical products and three French importers of seafood) were included in the study. The key informants were chosen on the basis of first-hand knowledge of export-relationships. Accordingly, respondents were not selected randomly. Additional respondents were contacted as long as each of them contributed additional insights to our research (i.e. a case-comparison approach was used where information from one case is compared to new cases) (Eisenhardt, 1989). At the inter-industry level there is some heterogeneity in that the products examined belong to different stages in the product life cycle. At the intra-industry level the studied organisations differ in size and exporting/importing experience. The sample

also includes different actors and concepts (manufacturers, retail chains, actors that outsource their exportation activities and actors that either aim for focus or mass marketing strategies). Hence, there is heterogeneity in the sample, which is important in this kind of research (Eisenhardt, 1989). More detailed sample characteristics are offered in Table II.

Take in Table II here

Research process

The interviews lasted 75 minutes (on the average). At three occasions two key informants were used, otherwise a single key informant was interviewed. At the end of the interviews, or in a second interview, respondents were asked if they agree or not with the general findings. Total interview time amounted to 20 hours. 50% of the interviews were conducted by phone. 10% of the contacted Norwegian exporters and 50% of the French importers refused to participate in the study. In most cases the stated reasons for not participating were an unwillingness to spend the necessary time required and that the expected results were perceived to be of limited value to their firms.

The interviews started with a short presentation of the project. The focus of the project was presented as Norwegian exporter's cooperation with foreign customers. The purpose of the interview was presented as learning about how the firm in question relates to its customer/supplier firms. General company information was to some extent collected prior to the interviews in order to avoid spending unnecessary time on this during the interviews.

The respondents were first asked to describe how they differ between foreign customer/supplier firms into different groups according to their strategic importance. Then they were asked to divide and categorise importers/exporters according to how they cooperate with them and to provide examples of such cooperation.

During the interviews, care was taken to let the respondents deepen and clarify their views. Additional questions regarding specific cooperative relationships and how they have developed, as well as the present status, were adopted from the interview guide developed by Larson (1992). Questions like: "This was interesting, can you further describe..." were frequently asked to obtain the necessary information. The interviews were professional, of a nonthreatening nature and anonymous. At the end of each interview the findings were summarised according to relationship components and value-creation initiatives (for three Norwegian exporters this was done during a second interview). The interviews were machine typed immediately. All information was included, although only relevant information is presented in the following. The qualitative analysis was conducted manually, and the proposed typology on relationship components was provided to the informants for feedback. During this phase, corrective information was collected, and resulted in additional information in some cases. Interpretations, documents and summary of preliminary findings were then independently reviewed by at least two researchers. Thus, the criteria to assess the trustworthiness of the study and findings (Fugate et al 2006) are considered fulfilled regarding credibility, confirmability and integrity.

Findings

With some notably exceptions (i.e. SF2 and M2), firms do not seem to have clear strategies for differentiating their collaboration partners, and they do not have clear ideas about their partners' strategic importance.

SF1 has developed a long-term relationship with a large foreign buyer over many years. SF1 has tried to deepen this relationship by suggesting new products, but the buyer is not interested. Cooperation in this relationship is well illustrated by this statement by SF1:

In this relationship we never do anything before we have a formal price contract with the buyer.

SF2 points to that they have improved their logistical capabilities the last years, but that this is the result of general requirements in the industry and that all suppliers must possess these skills in order to be able to compete in the market. For example, in order to deliver seafood for the French market, deliveries have to be made on specific days before 11 a.m. This requirement means that the suppliers have developed their skills in just-in-time deliveries. While both SF1 and SF2 face similar industry specific requirements, neither has increased their capabilities in close cooperation with customer firms. There is only cooperation between the points of contact in the two firms, and thus, SF1 and SF2 only provide examples of logistical relationships.

SF3 follows a differentiation strategy based on product quality. Most cooperative relationships are logistical relationships where price and volume are fixed for shorter durations. 25% of export sales are handled by annual contracts. Clearly, SF3 coaches customer problem solving (unilateral customer development). Last year there have been 4 projects involving foreign customers where both parties have gained new important insights, e.g. regarding improvement of own products and the customers' further processing of these products (bilateral learning). SF3 has also improved their product quality and logistical capabilities. For example, SF3 has learned how to deal with large customers with centralised purchasing but multiple delivery points (outlets). Such customers (chains) have emerged the last ten years, and SF3 was the first supplier to serve these (unilateral exporter development).

SF4 distinguishes between different customers according to geography (their home country's degree of industrialisation), and their importance (key-customers that will survive and prosper, versus other customers). Research and development is mostly undertaken in cooperation with customers. When both parties contribute to development and develop their capabilities there is bilateral learning.

SF4 describes one example of cooperation with a foreign distributor/manufacturer (that they characterise as a demanding customer) as involving different relationship components. First, there have been made several changes in products and production processes as a result of information received from the customer (unilateral exporter learning: the customer only supplies information in this cooperation. Second, a project concerning a special treatment/production process has been running one year. The customer has sent some of his own staff to the factory in order to assure that proper production processes are established. In the same manner the customer has contributed to problem solving at the exporter's factory regarding special packaging materials and another product attribute problem (unilateral exporter development). Third, SF4 also educates customers. For example, one person is fully employed by SF4 for educating personnel employed by customer firms in specific countries where skills in marketing and management are generally low (unilateral customer learning).

IMP1 buys input from exporters and after three or four deliveries the exporter normally has been able to adapt to IMP1's requirements in order to deliver a satisfactory product. After each delivery IMP1 gives feedback so that the exporter can make the necessary adaptations. These adaptations by the exporting firm are necessary in order to deliver to this kind of buyers (manufacturing firm), but in addition, the adaptations are to some extent importer specific (unilateral learning).

IMP2 has three different kinds of relationships with their suppliers, and the suppliers are divided in three groups: Occasional suppliers which often are low performers and rarely are used, "From time-to-time" suppliers where decisions to buy or not are made on a day-to-day basis, and cooperative relationships. In the latter type, cooperation occurs in terms of setting fixed prices (e.g. from February to September), and use of trust. IMP2 has only had sequential interdependence in their relationships to suppliers. First, there are long-term logistical relationships. In addition they transmit specific requests (about products they would like to buy, e.g. biologically farmed seafood) in unilateral exporter learning.

The reason why there are no signs of reciprocal interdependence is that IMP2 does not engage in cooperative development activities with suppliers, but uses a subsidiary for development purposes with large French institutions.

IMP3 has been "squeezed" for the last two years when many of their large customers operate with fixed price contracts (with a time-range of six months to a year), but IMP3 has not been able to obtain similar contracts with their suppliers. Accordingly, they recently started the work to establish such contracts with their suppliers. IMP3 seeks to obtain "tight" and "deep" relationships with some main suppliers. IMP3 also aims to "personalise" and differentiate their seafood products, e.g. with regard to where the products are farmed or harvested. Such differentiation is not currently possible since products are to a great extent highly standardised. In addition, IMP3's customers have specific requirements regarding product documentation. IMP3 must audit themselves, as well as their suppliers, in order to conform to these. So far, targeting bilateral learning, IMP3 has spent considerable time and resources for entering constructive dialogues directly with Norwegian producers.

M1 offers all customers (who are all retailers) training of their sales personnel. All customers are treated in the same way and receive the same support. This represents unilateral customer learning. M1 develops customers by providing professional guidance on promotion issues, and thus there is unilateral customer development. No customers engage in product development. From time to time it happens that there is some feedback from retailers and this is sent to the factory for consideration, but M1 does not make any other efforts for collecting or using such information.

M2 works in a similar fashion, with some exceptions. M2 makes use of the retailers for testing prototypes (i.e. there is unilateral exporter learning). All research and development efforts are run by M2 alone. If there is any feedback on prototypes it is usually the case that it is too late to make significant changes to the product, since production lines are already set up at this stage. Retailers supply information regarding market needs during daily interaction, but M2 is not capable of using this information for product development purposes.

M2 differentiates between A and B retailers. While the latter only receive discounts, A customers receive tighter follow-up in terms of more frequent calls, training, discounts, shorter delivery times and other customer benefits. The criteria used for differentiation is the

share of sales attributable to M2's products. M2 also differentiate between "ambassadors", "shop-a-rounds" and "lost cases" on the basis of collected information on how attractive M2 is to the retailers and M2's products' expected share of the retailers' future sales.

C1 has a "young" product supported by new production technology compared to its competitors. The firm is facing significant research and development costs, and five percent of these costs are used for adaptations to different customers' needs. C1 applies a customer-panel where important customers sit together and examine new product ideas. Their thoughts are consider by C1's research and development department. We consider this to be an example of unilateral exporter learning.

C1 is able to inform customers about best industry practice in that they know which production equipment that works best with their products. Since such equipment is not used in the customer's main activity areas (which constitute their core competencies), customers are not really interested in learning. Instead, it would be more accurate to say that they are most interested in getting low-cost solutions that work in practise. Furthermore, the customers in these situations only need this information once, so it could not be compared to a situation were one party acts as e.g. a demanding customer. Accordingly, we do not consider this "cooperation" to qualify as a relationship component.

C2 exports all its production to manufacturing enterprises that use the products as inputs for more complicated chemical products. Customer turnover is very low, and almost all customers are repeat customers. The industry is highly regulated. C2 does not perceive itself to cooperate with customers. Nevertheless, C2 actively searches and obtains information from its customers and there is unilateral exporter learning.

C3 offers an input product based on a unique (exclusive) technology. Customer firms are either distributors or manufacturers. A particular challenge for C3 is that their product's uniqueness forces C3 to contribute to the alignment of their customers' inbound logistics. Clearly, C3 acts as a coach here. Since C3 is the sole supplier of this product, the customer's efforts result in transaction specific investments (low value for alternative uses since there are no alternative suppliers), we treat this as an example of unilateral importer development. On the other hand C3, has (after introducing their product) been forced to learn documentation procedures. This work has been carried out in cooperation with customers and has been very valuable. This "competence" represent "skills" that are useful regardless of which customers helped them (unilateral exporter learning).

Another example of unilateral exporter development is presented in the cases where C3 cooperates with customers (manufacturing firms) and their customer's customers in order to develop new areas of application and new test parameters. C3 participates in projects where the customer learns how to develop products on the basis of C3's products. It is important for C3 that customers undertake such efforts, and researchers from both firms participate in this work. This is an example of unilateral customer development (where the customer is a manufacturing firm). C3 reported how they collaborated with a customer firm (manufacturer) by first recognising that a new product was needed to solve a particular problem. Together "we developed the idea that a certain chemical substance could be introduced in our basic product". C3 then investigated how this could be done, and the customer tested the product out. Later, C3 modified the product according to the customer's experiences, and the customer tested out the modified product. This is an example of bilateral learning.

T1 and T2 offer standard products but compete on other product characteristics. We found no cooperation with foreign customer firms here, other than temporarily logistical relationships. Customers of strategic importance are mainly international system integrators. T1 undertakes almost all research and development efforts internally. Only some highly specialised tasks, e.g. in computation, are outsourced. In earlier years there were some development projects with customers but these only resulted in products that no other customers would buy, i.e. unilateral exporter development.

The total findings of different relationship components as identified in our study are summed up in Table III.

Take in Table III here

Conclusion

This study attempts to identify relationship components as they occur in real-life buyer-seller relationships using a typology based on the perceived interdependence situation in buyer-seller relationships. Two research questions of particular importance are addressed in the following: first, do the findings support the idea that it is useful to distinguish among different relationship components? Second, is the typology an appropriate tool for differentiating between different types of cooperation?

Based on the findings from our study of Norwegian exporters and French importers, it appears that the proposed four categories of our typology suffice for categorising relationship components. Chances seem to be good to find all types of relationship components in any industry where buyer-seller relationships are formed between “large” actors. This is the case for the seafood cases we studied. In the chemical, technical and furniture industries we found several, but not all types of relationship components. By “large actors” we loosely refer to firms that 1) have resources that allow them to participate in development activities and/or 2) that buy or sell volumes that are of sufficient substance in order to have an impact on logistical costs. In the former case we recognise the point made by Borys and Jemison (1989) that hybrids, under reciprocal interdependence, should have “slack” in order to be effective. It is reasonable to expect (although the exact specification of the relationship remains unexplored) that there is a connection between organisational slack at the firm level and the inter-organisational level.

Respondents understand and find the proposed typology interesting, and no objections to the typology and subsequent categorisation were put forth. SF3 points out that its relationship components with distributors (as opposed to manufacturers) all are logistics synchronisation (“they are not so interested in product quality”).

At one occasion, SF4 did not agree that we classified their relationship component as unilateral (exporter) learning, since the customer provided technology/complementary products in addition to information. In our view, the cooperation in question clearly involved sequential interdependence, even though the customer brought more than information to it. Since our focus is on the logic of value creation and how the parties interact (and not the resulting products) this disagreement is understandable. The conceptions of logistics synchronisation, unilateral development and bilateral learning seem to work well.

Information that is best perceived as part of a selling firm’s sales efforts, does not indicate unilateral learning. Furthermore, such information must be repeatedly sent – information

transmitted on only one occasion can not be considered to represent a cooperative activity. In unilateral learning and unilateral development, problem-solving efforts must be in areas that are close to the firm's "strategic core", and the firm must be assumed to actively make use of this information for learning purposes. For example, if a customer purchases a product that lowers production costs after being convinced that this is the right thing to do, or when an exporter influences an importer's value system, this learning does not qualify as unilateral learning. On the other hand, sending staff on training would. The notion of relationship components presumes that there is cooperation. This means for example that unilateral learning presupposes an enduring flow of repeatedly sent information, and some apparatus for receiving and processing this information.

To conclude, it appears that these findings support both the existence of relationship components and the applicability of the proposed typology on relationship components.

Implications

Despite well known tools for categorising customers and suppliers, like ABC-analysis (and the Kraljick matrix for suppliers), firms do use these only to limited extent. This finding is surprising in that it means that firms do not have clear ideas about their partners' strategic importance to them, and consequently, that they do not have strategies for differentiating their collaborative partners.

In order to be in a position to differentiate between collaborative partners, firms must be consciously aware of what the objectives of this cooperation are, the required focus of coordination and the interdependence at play; i.e. they must understand the value creation logic. The first step is to decide what relationship components to strive for. Is it logistics integration, unilateral learning, unilateral development or bilateral learning? The typology proposed in this paper allows for a more complete understanding of cooperation in buyer-seller relationships than the existing sequential-reciprocal interdependence dichotomy that is currently used. This decision should be based on which objectives firms are hoping to achieve.

The second step is to determine the focus of coordination. Most firms have difficulty in answering questions like: Which customers do you invite for company events, what are the criteria for serving beer and pizza or dinners at up-scale restaurants, which personnel are the target for your relationship marketing efforts, etc. For cooperating in logistics integration, personnel in the operational linkage must be targeted, while one should look elsewhere for cooperating in other relationship components. Logistics integration is best managed by undertaking efforts to achieve reciprocal transparency (in the operational linkage) so that the both firms are capable of appropriate logistical planning. Such efforts should be undertaken by the boundary/operational personnel in the two firms.

Unilateral learning is similar to logistics integration in that there is sequential interdependence, but different in that it requires an organisational linkage in addition to the learning objective. In unilateral learning management's task is to assure the efficient flow of information from one party to the other. In unilateral development, one party must have good knowledge of the partner's organisation and provide the relevant expertise for coaching the latter's problem solving efforts. Management's task is primarily to define relevant projects and facilitate coaching.

In bilateral learning, a management task is to obtain a mutual understanding of the partner's organisations by means of organisational linkages, and establish joint problem-solving projects. Such efforts clearly must be made by other members than the boundary personnel in the two firms.

Research Limitations and Future Research

There are some limitations related to our study. This pilot study only studied 14 firms. Despite our intentions to capture general impressions of the matters in focus, the findings cannot be generalized to larger populations. On the other hand, we feel confident that conducting more interviews would not significantly have altered our findings. The last interviews did in fact bring little new information to our attention, except for adding new interesting descriptions of various forms of collaboration between firms. In addition, at the end of the interviews (in some instances in a second interview because of time limitations in the first) we revealed the typology to the respondents, and they agreed that this was a fruitful way of conceiving the different options they have to collaborate with partners: it is easy to understand and it covers their options. Still, care should be taken when attempting to make generalisations on the basis of only 14 observations.

Also, the process of assigning different types of cooperation to the appropriate relationship components was more complicated than expected, and the result is based on our judgment. The key concern is the notion of relationship components, which relies on the assumption that the parties have established a buyer-seller relationship.

The findings from this pilot-study should be rigorously tested in future studies. Important measurement issues have been discussed in this study, and subsequent studies could benefit in terms of readily available guidelines for scale development and testing on a large scale.

The proposed typology points to the differences between different relationship components in terms of different logics of value creation: interdependence, objectives and focus of coordination. Hopefully, this enables researchers to consider different types of relationship components as their unit of analysis, and to develop more precise measures of performance in buyer-seller relationships, recognizing that firms seek different types of benefits from engaging in different relationship components. While measures of cost-efficiency can be applied to logistics integration, researchers need to develop other measures for the other relationship components.

Also, recent work on industrial segmentation models (Freytag and Clarke, 2001) argues for a more relational approach. It is likely that we will see more attention directed at understanding the relationships and networks in which buyer-seller relationships are embedded. The typology investigated here represents one way of discriminating between customers on a relational basis – future research should further explore its appropriateness for industrial segmentation.

The data suggests that it is possible to distinguish between cooperation based on requirements from demanding customers from the value creation logic in unilateral learning – which also is based on transferral of information. If a customer continuously supplies information on market needs (or on other developments in technologies or products, and this is valuable to the seller) this is different compared to a situation where a customer act as a demanding customer and has different requirements at different times. In the first case, the value creation logic is related to efficient coordination of the flow of information from one party to the other.

The “sender” delivers a given transaction repeatedly, and this must be coordinated in some way. In the second case, the logic of value creation is possible related to different aspects, such as internal communication between various departments. We consider this a task for further studies to determine if this is a possible fifth type of relationship components that we need to consider.

Also, can firms just decide that they will establish a new relationship component? It seems that the collaborative effort is more complex as one move from logistics integration, to unilateral learning, further to unilateral development, and finally bilateral learning. Some authors have argued that firms gradually increase their commitment in and trust to collaborating partners (Anderson and Weitz, 1992). Further research might explore this relationship, posing questions like: is successful bilateral learning contingent upon prior success in unilateral development (and/or unilateral learning)?

References

- Anderson, J.C., Håkansson, H. and Johanson, J. (1994), "Dyadic business relationships within a business network context", *Journal of Marketing*, Vol. 58 October, pp. 1-15.
- Anderson, E. and Weitz, B. (1992), "The use of pledges to build and sustain commitment in distribution channels", *Journal of Marketing Research*, Vol. XXIX February, pp. 18-34.
- Bello, D. and Gilliland, D. (1997), "The Effect of Output Controls, Process Controls, and Flexibility on Export Channel Performance", *Journal of Marketing*, Vol. 61 January, pp. 22-38.
- Blankenburg, D., Eriksson, K. and Johanson, J. (1999), "Creating value through mutual commitment to business network relationships", *Strategic Management Journal*, Vol. 20, pp. 467-486.
- Borys, B. and Jemison, D.B. (1989), "Hybrid arrangements as strategic alliances: theoretical issues in organizational combinations", *Academy of Management Review*, Vol. 14 No. 2, pp. 234-249.
- Chetty, S. and Eriksson, K. (1998), "Mutual commitment and experiential knowledge in international business relationships", Working paper, *Department of Business Studies, Uppsala University, Sweden*.
- Churchill, G.A. (1979), "A paradigm for developing better measures of marketing constructs", *Journal of Marketing Research*, Vol. 16, pp. 64-73.
- Contractor, F.J. and Lorange, P. (1988), *Cooperative Strategies in International Business*, Lexington Books, Lexington, MA.
- Dyer, J.H. (1997), "Effective interfirm collaboration: how firms minimize transaction costs and maximize transaction value", *Strategic Management Journal*, Vol. 18, pp. 553-556.
- Eisenhardt, K. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 2, pp. 183-214.
- Fugate, B., Sahin, F. and Mentzer, J.T. (2006), "Supply Chain Management Coordination Mechanisms", *Journal of Business Logistics*, Vol. 27 No. 2, pp. 129-162.
- Freytag, P.V. and Clarke, A.H. (2001), "Business to business market segmentation", *Industrial Marketing Management*, Vol. 30, pp. 473 – 492.
- Håkansson, H. and Snehota, I. (1995), *Developing relationships in business networks*, Routledge, London.
- Gulati, R. and Singh, H. (1998), "The architecture of cooperation: managing coordination costs and appropriation concerns in strategic alliances", *Administrative Science Quarterly*, Vol. 43, pp. 781-814.
- Hagedoorn, J. (1993), "Understanding the rationale of strategic technology partnering: interorganizational modes of cooperation and sectoral differences", *Strategic Management Journal*, Vol. 14, pp. 371-385.
- Hammervoll, T. (2006), "Value creation logic", unpublished manuscript.
- Handsfield, R.B., Krause, D.R., Scannell, T.V. and Monczka, R.M. (2000), "Avoid the pitfalls in supplier development", *Sloan Management Review*, Winter, pp. 37-49.
- Kay, J. (1993), *Foundations of Corporate Success: How Business Strategies Add Value*, Oxford University Press.
- Krause, D.R. (1997), "Supplier Development: Current Practices and Outcomes", *International Journal of Purchasing and Materials Management*, Vol. 33 No. 2, pp. 12-19.
- Krause, D.R., Handsfield, R.B. and Scannell, T.V. (1998), "An empirical investigation of supplier development: reactive and strategic processes", *Journal of Operations Management*, Vol. 17, pp. 39-58.
- Larson, A. (1992), "Network dyads in entrepreneurial settings: a study of the governance of exchange relations. *Administrative Science Quarterly*, Vol. 37, pp. 76-104.

- Malone, T.W. and Crowston, K.G. (1994), "The interdisciplinary study of coordination", *ACM Computing Surveys*, Vol. 26, pp. 87-119.
- Miles, M.B. and Huberman, A.M. (1994), *Qualitative data analysis*, Sage, London.
- Porter, M.E. (1980), *Competitive Strategy*, The Free Press, New York, NY.
- Prahalad, C.K. and Ramaswamy, V. (2000), "Co-opting Customer Competence", *Harvard Business Review*, January-February, 79-87.
- Raia, E. (1991), "Taking time out of product design", *Purchasing*, April 4, pp. 36-39.
- Sahay, B.S. (2003), "Supply Chain Collaboration: the Key to Value Creation", *Work Study*, Vol. 52 No.2, pp. 76-83.
- Sheth, J.N. and Sharma, A. (1997), "Supplier relationships: emerging issues and challenges", *Industrial Marketing Management*, Vol. 26 No. 2, pp.91-100.
- Shipley, D., Cook, D. and Barnett, E. (1990), "Recruitment, motivation, training and evaluation of overseas distributors", *European Journal of Marketing*, Vol. 23 No. 2, pp. 79-93.
- Simatupang, T.M., Wright, A.C. and Sridharan, R. (2002), "The knowledge of coordination for supply chain integration", *Business Process Management Journal*, Vol. 8, pp. 289-308.
- Sivadas, E. and Dwyer, F.R. (2000), "An examination of organizational factors influencing new product success in internal and alliance-based processes", *Journal of Marketing*, Vol. 64, pp. 31-49.
- Tallman, S.B. and Shenkar, O. (1994), "A managerial model of international cooperative venture formation. *Journal of Business Studies*, Vol. 25, pp. 91-113, as reported by Child and Faulkner (1998), pp. 81.
- Thompson, J.D. (1967), *Organizations in Action*, McGraw Hill, New York, NY.
- Tyndall, G., Gopal, C., Partsch, W. and Kamauff, J. (1998), "Ten Strategies to Enhance Supplier Management", *National Productivity Review*, Summer, 31- 44.
- Von Hippel, E. (1988), *The Sources of Innovation*, Oxford University Press, New York, NY.
- Watts, C. and Hahn, C. (1993), "Supplier development programs: an empirical analysis, *International Journal of Purchasing and Materials Management*, Spring, pp. 11-17.
- Wilson, D.T. (1995), "An integrated model of buyer-seller relationships", *Journal of the Academy of Marketing Science*, Vol. 23 No. 4, pp. 335-345.

Appendix 1

Table I. Relationship Components in buyer-seller relationships

	Logistics integration	Unilateral learning	Unilateral development	Bilateral learning
Interdependence	Sequential	Sequential	Reciprocal	Reciprocal
Objectives	Effective logistics <u>in SCR</u>	<u>Supply chain partner</u> learning	<u>Supply chain partner</u> development	Mutual learning <u>in</u> <u>SCR</u>
Focus of coordination	Operational linkage	Organisational linkage	Organisational linkage	Organisational linkage
Value creation Initiative(s)	1) Transaction specific investments 2) Adaptations 3) Efforts to motivate “right” exchange partner efforts 4) Logistical information exchange	Information supply	Coaching	1) Knowledge sharing 2) Willingness to combine complementary strategic resources

Appendix 2

Table II. Characteristics of the sample

Firm	Function	Products	# Employees	Turnover (in million Euros)
SF1	Exporter	Fish filet	30	3.75
SF2	Exporter	Wild caught fish	15	37.5
SF3	Exporter	Farmed salmon	110	75
SF4	Exporter	Farmed salmon	1000+	125+
IMP1	Importer Fish smoker	Farmed salmon	20	N/A
IMP2	Importer Supermarket chain	Fish	1000+	125+
IMP3	Importer Manufacturer	Fish	300	125+
M1	Exporter	Furniture	400	75
M2	Exporter	Furniture	1000+	125+
C1	Exporter	Painting	1000+	125+
C2	Exporter	Industrial antibiotics	500	125+
C3	Exporter Newly established firm	Polymers	25	N/A
T1	Exporter	Electronic systems	1000+	125+
T2	Exporter	Electronic systems	50	6.25

Appendix 3

Table III. Actual relationship components as identified in this study

Firm	Logistics synchronisation	Unilateral learning	Unilateral development	Bilateral learning
SF1	X			
SF2	X			
SF3	X	X	X, X ^b	X
SF4	X	X, X ^b	X	X
IMP1	X	X		
IMP2	X	X		
IMP3	X			X
M1	X	X ^b	X ^b	
M2	X	X, X ^b		
C1	X	X		
C2	X	X		
C3	X	X	X ^b	X
T1	X (project)		X, X ^b	
T2	X (project)			
X ^b	Buyer learning/development example			