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The character of bridgehead relationships

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Abstract

A supplier's development of a foreign market can be better understood when examined in the context of bridgehead business relationships between a supplier and a foreign customer. In addition to intrarerelationship factors, the network of business relationships connected with a supplier and its foreign customer is also important in understanding the supplier's bridgehead relationships. The results from a LISREL analysis of 142 international business relationships show that the supplier's bridgehead relationships are conditioned by the personal relations with the foreign customer. The supplier's bridgehead relationships are also dependent on mutual commercial dependence between the supplier and the foreign customer. The results show that the supplier views the foreign customer as a conduit for foreign market development and will commit itself to the business relationship for this reason. A further finding is that the network of business relations connected with a supplier and its foreign customer constitutes an important setting for the supplier's bridgehead relationships. © 2000 Elsevier Science Ltd. All rights reserved.

Keywords: Bridgehead relationship; Foreign market development; Connected relationships; Business network; Internationalisation

1. Introduction

In 1987, FANAB,¹ a Swedish supplier of valves, delivered its first order to the American pulp and paper company, TOMRY. Although FANAB had more than fifty years of business experience in the United States market, FANAB was able, through this American customer, to develop its business in the United States and approach new customers. After the initial agreement reached between FANAB and TOMRY,

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¹ The names of occurring companies have been changed to preserve anonymity.

deliveries became regular. The two companies also started to exchange information on technology and market activities. FANAB has begun to notice an advancement in its other activities in the United States, which is attributed to TOMRY having a good reputation in this market, as well as being able to anticipate market trends and share such information with FANAB. Today, FANAB considers TOMRY as a base for its development in the US market.

A second case of foreign market development through foreign customers concerns a business relationship established as early as 1960. The product, a cylinder head screw, is delivered by the Swedish company BOLTAB to a car manufacturer in the United Kingdom named BUCKLEY. So far, BUCKLEY constitutes nearly BOLTAB's entire market for this particular product in the United Kingdom. At the same time, BUCKLEY buys all its needs of this product from BOLTAB. BUCKLEY buys many other products from BOLTAB as well. The cylinder head screw is, however, particularly important since components sold by other suppliers depend on its function and quality. The two companies are thus highly interdependent and claim that consequences would be serious if their business relationship were to end. Therefore, they handle business through frequent interaction, and personal meetings are arranged every month between at least six persons from BOLTAB and ten from BUCKLEY. Aside from volume, BOLTAB regards two features in this relationship as especially important. The first of these is that BUCKLEY is an important source of information concerning trends in the market. And secondly, BUCKLEY is a critical link to new business opportunities in the United Kingdom. BOLTAB therefore regards the relationship with BUCKLEY as a bridgehead.

These examples are taken from the second European International Marketing and Purchasing (IMP) research database and illustrate the theme of this paper: the characteristics of bridgehead relationships used by suppliers for foreign market development. As demonstrated by the examples, using customer relationships is a well-known strategy to practitioners. Common to both cases is that the exemplified business relationships are characterised as close, with frequent interaction and mutual dependence, and that the supplier considers the customer as a bridgehead. Accordingly, the purpose here is to identify and outline the principal constituents that make the supplier consider the foreign customer relationship as a bridgehead for developing the foreign market. By foreign market development we mean expansion in customer country through development of business relationships. We are, however, not concerned with measuring realised developmental activities undertaken by the supplier.

Following the assertion that the internationalisation process is driven by experiential knowledge acquired by operating in the international market (Johanson & Vahlne 1977, 1990) this study uses relationship exchange as a fundamental conduit for generating experiential knowledge. While most studies focus on mode of organising international business activities, this study undertakes a behavioural approach by considering the firm's contextual conditions, in terms of exchange relationships, for generating experiential knowledge.

In the next section, a conceptual framework which leads to four hypotheses about foreign customer relationships and foreign market development is presented. The hypotheses are tested on a sample of 142 international business relationships between

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