Different recipes for success in business relationships

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ABSTRACT

Companies need to manage business relationships successfully in order to stay competitive. Drawing on configurational logic, this study shows that companies can improve their relationship performance through leveraging the structure of their business relationships. However, relationship structures must align with the company's business strategy. To date, research has focused on individual characteristics of business relationships, but little is known about relational configurations, namely the interplay between different business relationship characteristics on the one hand, and the firm's underlying business strategy on the other. We apply Hoffmann's (2007) strategy typology, namely shaping, adapting, and stabilization strategy types, to operationalize different business strategies. Drawing on a sample of 658 business service companies and employing fuzzy set qualitative comparative analysis (fsQCA), this study confirms the existence of different recipes for success, that is, multiple equifinal configurations leading to relationship performance. For each of the three business strategies, different combinations of relationship characteristics are successful, each encompassing a distinct configuration of core and periphery conditions. While firms following an adapting strategy should stress behavioral commitment above all other relationship characteristics, the two remaining business strategies instead rely predominantly on different factors such as trust and communication. This study contributes to business marketing theory and practice by highlighting different ways to develop business relationships successfully.

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1. Introduction

Business relationships are important for the success of firms. They allow firms to mobilize important resources that they do not control themselves, that is, business relationships deal with issues relating to resource dependencies (Mouzas & Naudé, 2007; Pfeffer & Salancik, 1978; Zaefarian, Henneberg, & Naudé, 2011). Business relationships have positive performance effects on pivotal managerial aspects such as innovativeness (Muller & Zenker, 2001; Rindfleisch & Moorman, 2001), the reduction of operating costs (Cannon & Homburg, 2001; Selnes & Sallis, 2003), and ultimately on company profitability (Fang, Palmatier, Scheer, & Li, 2008; Palmatier, Dant, & Grewal, 2007). However, while considerable research exists regarding the characteristics of such business relationships, little research focuses on the configurations of successful business relationships (e.g., Zaefarian, Henneberg, & Naudé, 2013). ¹

Prior studies discuss extensively the characteristics of business relationships such as trust, commitment, communication, relational norms, opportunistic behavior, or relationship-specific investments (e.g., Fang et al., 2008; Morgan & Hunt, 1994; Palmatier et al., 2007; Siguaw, Simpson, & Baker, 1998). Configurations on the other hand refer to the interplay between different business relationship characteristics and therefore provide a holistic perspective in line with Gestalt-theory (Dess, Newport, & Rasheed, 1993). Thus, for a configurational perspective the primary issue is not whether individual characteristics of business relationships are present, or how developed they are (e.g. how much trust exists between the partners in a business relationship), but rather how different business relationship characteristics interact to form a constellation of conditions (Meyer, Tsui, & Hinings, 1993).

Such a configurational logic, while commonly used in research strategy (Dess et al., 1993; Miller, 1996), does not appear often in (business) marketing studies (e.g., Malhotra, Mavondo, Mukherjee, & Hooley, 2013; Vorhies & Morgan, 2003; Zaefarian et al., 2013). However, managerial practice does not focus primarily on decisions about merely optimizing individual levers (such as the degree of pro-active communication by a retailer within a business relationship with its suppliers) but struggles with more complex and systemic constellations of several levers simultaneously (such as the trade-off between investing more in

1 We use the term 'characteristics' throughout the argument as an equivalent to 'drivers', i.e., causal conditions which effect an outcome. Relational characteristics are therefore similar to the driver variables as outlined by Palmatier et al. (2007).

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pro-active communication, which would allow the retailer to reduce relationship-specific investments without harming the overall performance of a buyer-supplier relationship by increasing relational costs versus the threat of opportunistic behavior). The underlying assumption of such a perspective is that different configurations for success occur, that is, a specific performance outcome can be achieved through several distinct configurations, not just through a single and optimal make-up of causal factors. Configurational logic thus considers the concept of equifinality (e.g. Fiss, 2007, 2011). Improving certain relational characteristics within a configuration can be important for achieving superior performance, while the reverse may not be true: a reduction of these relational characteristics may not be associated with lower degrees of performance. This phenomenon of an asymmetric impact of certain conditions is also of interest in studying configurations of business relationships (Ragin, 2006; Woodside, 2013).

Our research takes its starting point from these considerations couched in configurational theory. We specifically focus on configurations that associate with different relational strategy types, that is, different ways in which companies can use business relationships as part of their overall portfolio of interactions with other actors in the business networks (Doty, Glick, & Huber, 1993; Varadarajan & Clark, 1994; Vorhies & Morgan, 2003). Such a strategy type perspective takes the view that not all relationships portfolios are meant to work in the same manner (Hoffmann, 2007). For example, Zaefarian et al. (2011) show that five different resource-acquisition types exist which explain why companies engage with relational counterparts like suppliers or customer companies, while Hoffmann (2007) identifies three alliance relationship management strategy types: shaping, adaption, and stabilisation. Research that utilizes such strategy type logic is still scarce in the area of business relationships, for example to understand whether or not different relational characteristics associate better with specific strategic types. Zaefarian et al. (2013) work is an exception; their study shows that based on a ‘fit as profile deviation’ analysis, different strategy types based on Miles and Snow (1978) associate with different ideal configurations of relationship characteristics. However, their analysis is based on simple causality, that is, a regression-based method and does not cover asymmetric or complex causal phenomena (Fiss, 2007; Grechhamer, Misangyi, Elms, & Lacey, 2008).

We address the research question of which relational characteristics (e.g. trust, commitment, communication) are necessary and/or sufficient, and which represent core or peripheral conditions for configurations that are characterized by superior relationship performance (but also by the absence of relationship performance). Addressing these questions makes several important contributions. First, this is one of the very few empirical studies examining the success of business relationships through a configurational lens. Specifically, the study finds that configurations promote relationship performance, and that it is the interplay of relational characteristics that is key in this context, rather than single conditions. Secondly, the present study provides a more comprehensive and systematic understanding of the relationship between business relationship strategies and the underlying structure of business relationships (i.e. the configurations of relational characteristics). The research shows that, irrespective of their strategic intent, firms can achieve high relationship performance as long as the relevant relationship characteristics are aligned. Thirdly, the study applies fuzzy set qualitative comparative analysis (ISQCA) which is well suited for understanding phenomena based on configuration theory (Grechhamer et al., 2008).

The article proceeds as follows. Section 2 introduces issues around business relationships, particularly important relational characteristics as well as relational strategy types. Section 3 introduces configuration theory and its links to QCA, emphasizing particularly necessary versus sufficient, and core versus peripheral conditions. Section 4 presents the specific research method, the research design, the data calibration, and analysis. Section 5 outlines the findings and provides a conclusion that discusses theoretical as well as managerial implications.

2. Relationship characteristics and strategy types

2.1. Relationship characteristics

Business relationships are complex and multi-faceted in nature. Research on the make-up and characteristics of business relationships has proliferated over the last few decades. Scholars have utilized different theoretical perspectives to explain the causal mechanisms among a set of identified relationship characteristics. Examples of these theories include the commitment–trust theory developed by Morgan and Hunt (1994), dependence theory (Bucklin & Sengupta, 1993; Hibbard, Kumar, & Stern, 2001), and relational exchange theory (Dyer & Singh, 1998; Kaufmann & Dant, 1992). Each of these theories stresses certain characteristics of business relationships such as trust, commitment, communications, cooperation, and dependency (Palmatier et al., 2007). In addition to these more specific theories, scholars have also commonly used transaction cost economics to study the concepts of relationship-specific investment and opportunism in buyer-supplier relationships (e.g. Ganesan, 1994; Selnes & Sallis, 2003).

In an attempt to develop a broader perspective in the study of the nature of business relationships, Conner (1991) introduces the resource-based view (Wernerfelt, 1984) as a potential unifying paradigm. Later on, Dyer (1996) and Jap (1999) extended this theoretical framework. The resource-based view of a buyer-supplier relationship integrates different relationship characteristics and argues that superior company performance is achievable through building and maintaining successful buyer-supplier relationships (Dyer & Singh, 1998; Palmatier et al., 2007). This perspective has subsequently been widely used in studies of buyer-supplier relationships (e.g., Palmatier et al., 2007).

Following this approach, our study used a set of relationship characteristics that Palmatier et al. (2007) identify to delineate important relationship characteristics as determinants of relationship structure. This set of relationship characteristics consists of trust, commitment, communication, cooperation, and relationship-specific investment, and as such integrates different theoretical perspectives, covering both attitudinal and behavioral aspects (Deshpandé & Farley, 2004; Gainer & Padanyi, 2005), and focuses on characteristics used in previous seminal studies (e.g. Cannon & Perreault, 1999; Morgan & Hunt, 1994; Palmatier, Dant, Grewal, & Evans, 2006; Palmatier et al., 2007).

2.1.1. Trust

The notion of trust has attracted a great deal of attention in the business marketing literature (Morgan & Hunt, 1994). Trust has been defined as a “willingness to rely on an exchange partner in whom one has confidence” (Moorman, Zaltman, & Deshpandé, 1992, p. 315). This definition of trust emphasizes the importance of confidence and belief that the exchange partner is reliable. As such it refers to the credibility of the exchange partner. In addition to credibility, Moorman et al. (1992) also emphasize behavioral intentions or the ‘willingness’ of a party to rely on the exchange partner. Although Morgan and Hunt (1994) argued that willingness is implicit in the conceptualization of trust, this concept is often operationalized using both credibility and benevolence constructs. The former “… is comprised of the belief that a trading partner is expert and reliable in conducting transactions effectively” (Siguaw et al., 1998, p. 101) and the latter refers to the intentions and motives of the partner in considering the benefits accruable to the counterpart (Ganesan, 1994).

The effect of trust can be explored at different organizational levels. Fang et al. (2008) studied the effects of trust at inter and intra organizational levels. Zaheer, McEvily, and Perrone (1998) investigate two different level of trust, interorganizational and interpersonal trust. At both levels, trust increases relationship specific investment and communication, and as such improves agility and performance. It also reduces costs and opportunism, hence all together, trust can lead to higher relationship performance. Therefore, the existence of mutual trust can promote information sharing whereas the absence of it can
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