Long Range Planning ■■ (2015) ■■–■■

Contents lists available at ScienceDirect

Long Range Planning

journal homepage: http://www.elsevier.com/locate/lrp

A Capability Perspective on Relationship Ending and Its Impact on Product Innovation Success and Firm Performance

Ghasem Zaefarian, Sebastian Forkmann, Maciej Mitręga, Stephan C. Henneberg

How to manage in business relationships due to resource-dependence issues has become one of the most important research topics in management and strategy research. Such business relationships with customers and suppliers are pivotal to the success of collaborative innovation activities and ultimately firm performance. However, business relationship management is most often researched with regard to organizational capabilities in the context of the development of already existing relationships, or the instigation of new ones. Ending business relationships as a managerial activity with strategic importance, and the underlying organizational capabilities enabling such relationship ending, have not been at the core of research in this area. In order to affect product innovation activities positively, a company must be able to effectively reuse the resources, which have been freed by ending business relationships. Thus, our article focuses on relationship ending capabilities and their impact on product innovation success, as well as overall firm performance. This is carried out empirically in the context of a sample of supplier companies to the Iranian automotive industry. We support our findings by outlining that relationship ending capabilities make available resources, which were previously used in a suboptimal manner, and which can subsequently be used to instigate new or strengthen existing collaborative business relationships with positive effects for innovativeness. We furthermore show that the impact of relationship ending capabilities is amplified by the organizational culture, specifically the attitudes within the focal company regarding acceptance of relationship terminations.

Introduction

The importance of business relationships and alliances for a firm's competitive advantage is well-documented and primarily anchored in the resource-based view of the firm and in transaction cost theory (Franco and Haase, 2013). One important driver of firm competitiveness is the ability to continuously innovate in fast-paced business environments (Björk and Magnusson, 2009; Hoholm and Olsen, 2012; Padula, 2008; Von Hippel, 1988). However, product innovation is resource-intensive, and alliances offer a mechanism to access resources to innovate, such as knowledge, people, or technology which firms do not own or control themselves (Gemünden et al., 1996; Huang and Rice, 2012; Perks and Jeffery, 2006; Un et al., 2010). In this context, product innovation is dependent on a company's ability to mobilize other business actors, such as customers or suppliers (Lau et al., 2010; Mouzas and Naudé, 2007; Wognum et al., 2002), and the capabilities to manage in such business relationships therefore become important antecedents of product innovation success. Such capabilities have been conceptualized in the context of network competence (e.g., Ritter, 1999; Ritter and Gemünden, 2003, 2004), networking capability (e.g., Mitrega et al., 2012; Mort and Weerawardena, 2006), relational capability (e.g., Capaldo, 2007), and alliance capability (e.g., Draulans et al., 2003; Kale et al., 2002; Kauppila, 2013).

Researchers have argued for the importance of managing business relationships and alliances according to their life cycle stages (Heimeriks et al., 2009; Hoffmann and Schlosser, 2001; Swoboda et al., 2011). However, while capabilities linked to the stages of initiation (Bierly III and Gallagher, 2007; Cummings and Holmberg, 2012; Holmberg and Cummings, 2009; Medcof, 1997; Vollmann and Cordon, 1998) and development (Draulans et al., 2003; Hoffmann and Schlosser, 2001; Kauppila, 2013; Pick, 1999; Swoboda et al., 2011; Vollmann and Cordon, 1998) are well-researched, aspects of *relationship ending* have not been covered in the same detail (Havila and Medlin, 2012; Ritter and Geersbro, 2011). In this context, it is noteworthy that research has shown that the increased focus on alliance management and relationship development can lead to inertia and lock-in situations (Perks and Jeffery, 2006), which in turn compromise firm innovativeness and long-term growth (Gassmann et al., 2010; Kauppila, 2013; Padula, 2008; Rahman and Korn, 2012). From this perspective, firms are in danger of not only tying up their relationship management resources in underperforming alliances, but also hamper themselves in pursuing relationships with promising new alliance partners (Padula, 2008; Rahman and Korn, 2012).

http://dx.doi.org/10.1016/j.lrp.2015.12.023
0024-6301/

Thus, capabilities related to ending business relationships are important, as they allow firms to unlock and redeploy resources towards creating relationship portfolios with high product innovation potential (Gadde and Snehota, 2000; Leverick and Cooper, 1998; Padula, 2008; Rahman and Korn, 2012; Zaheer et al., 2000). This requires an understanding of which business relationships are no longer beneficial, and therefore need to be ended, as well as the ability to implement a process of effective relationship ending. Such capabilities would allow resources to be better allocated, and would thus improve the innovation efforts of a company as well as its overall performance. From this perspective, relationship ending capabilities provide a favorable condition in which the business relationship portfolio can be redesigned and new inter-firm resource combinations are allowed to develop in order to better leverage innovativeness (Dixon et al., 2013; Heimeriks et al., 2009; Wilden et al., 2013).

Our research takes its main research question from these considerations, and we aim at understanding the impact of relationship ending capabilities on product innovation success, and ultimately on firm performance. We focus specifically on such company capabilities, which refer to the decisions and actions by a focal actor in a business relationship to end that relationship (Tähtinen and Halinen, 2002). Our emphasis is on supplier relationships as one important form of alliances (Franco and Haase, 2013), as these have been shown to play an important role in firms' product innovation efforts (Cousins et al., 2011; Petersen et al., 2003; Un et al., 2010).

Our study contributes to the existing literature on alliance and business relationship management (e.g., Draulans et al., 2003; Kale et al., 2002; Kauppila, 2013) by clarifying the concept of relationship ending through the development of a multidimensional model of relationship ending capabilities. In this context, research has drawn attention to the importance of managing alliances and relationships along life-cycle stages and our study fills an important gap with respect to the ending stage (Heimeriks et al., 2009; Hoffmann and Schlosser, 2001; Swoboda et al., 2011). We further contribute by outlining ways to actively shape and reconfigure relationships portfolios in an effort to align resources within fast-paced competitive environments through the reuse of freed resources (Dixon et al., 2013; Heimeriks et al., 2009; Hoffmann, 2005; Padula, 2008; Wilden et al., 2013).

Our argument will proceed as follows. We first explore the literature on business relationship ending, and develop a nomological model for relationship ending based on the resource-based view and dynamic capability perspective. We then derive relevant research hypotheses and outline our research design. Next, we test our hypotheses with a sample of 156 suppliers of the automotive industry in Iran. This is followed by a discussion of the findings and their managerial implications. The article concludes with limitations as well as directions for further research.

Business relationship ending

Concepts of relationship ending

Business relationships are often compared to "marriages", however, as Johnston and Hausman (2006) note, the issue of "divorce" (i.e., the ending of a relationship), is less often used as a metaphorical device. When relationship ending is mentioned, this is regularly done in a context of trying to find ways to improve, re-engage and recover fading business relationships (Anderson and Jap, 2005; Purinton et al., 2007; Salo et al., 2009; Wagner, 2006). For example, in a strategic alliances context, Furrer et al. (2012) have introduced a circumplex model of response strategies to dissatisfied strategic alliances that consists of seven different responses (i.e., neglect, patience, considerate voice, creative voice, aggressive voice, opportunism, and exit). In their model, exiting from a strategic alliance is considered to be a legitimate response strategy when a partner is dissatisfied with the strategic alliance.

Reasons for ending business relationships are manifold and can be argued to have an ambiguous effect with regard to their impact on the innovativeness of companies. On the one hand, they can have a negative effect on the focal company and its ability to innovate, as crucial resources (e.g., technology) may now be missing. On the other hand, companies may need to end intentionally undesirable business relationships and thereby improve overall firm performance; for example, relationships that are not profitable, or troublesome, or hindering other beneficial activities (Good and Evans, 2001).

However, there may exist further reasons why a company may want to end a business relationship. Such reasons can be linked to the focal company, for example, due to resource scarcity, which could mean that only a limited number of relationships can be maintained, and thus even profitable relationships may have to be eliminated from the portfolio, or to business model considerations, which means that certain business relationships (although profitable) do not provide a minimum level of return (Gadde and Snehota, 2000). Other reasons for undesirable business relationships relate to aspects of the dyad of the business relationship (e.g., conflict in the relationship which cannot be resolved; Vaaland, 2006), or to the business network level (e.g., dynamics in the network affect a focal company or a dyadic relationship as part of connected change incidences; Halinen et al., 1999).

Relationship ending is discussed under several names in the literature, such as relationship termination, dissolution, disengagement, or exit. Relationship ending refers to the intentional decision and implementation of managerial activities aimed at ending a business relationship which otherwise would have continued. As such, relationship ending relates not to those relationships with a natural end built into them; for example, project relationships or episodic and interimistic relationships (Halinen and Tähtinen, 2002; Lambe et al., 2000). For the context of our study, we adopt a commonly used definition of relationship ending as characterizing a situation when all activity links, resource ties, and actor bonds have ceased to