

Katja Findlay

**THE SUCCESS FACTORS IN DEVELOPING B2B RELATIONSHIPS INTO
PARTNERSHIPS**

The Power of Commitment

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ABSTRACT

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The purpose of this thesis is to provide the commissioning company, Mediracer Ltd., information about success factors in business-to-business (B2B) relationships and how they could be developed into long-lasting and successful partnerships, and how commitment is reached and maximised in business-to-business relationships.

The theory framework defines the different elements and characteristics in building of business-to-business partnerships. The theory part also focuses on commitment as an integral part of partnership formation. The theoretical part of the thesis is mainly based on literary sources, with a few supplementary digital sources.

The empirical study was a qualitative case study and was conducted through semi-structured theme questionnaires with the current and previous distributor partners of Mediracer Ltd, as well as in-depth interviews with experts having experience with business-to-business relationships and partnerships. The results provided information about seller-distributor relationship formation and development, relationship value and quality from both perspectives. The main findings were that interpersonal relationships and effective communications play a crucial part in successful business relationships. Relationship commitment is established over time through trust and deepened interpersonal relationships and communications patterns.

Keywords: B2B, business-to-business, relationships, commitment, distributor, partnerships

CONTENTS

1	INTRODUCTION.....	5
1.1	The Comissioner.....	8
1.2	Research problem and objectives.....	9
2	BUILDING OF BUSINESS-TO-BUSINESS PARTNERSHIPS.....	10
2.1	Relationship lifecycle.....	12
2.2	Elements of partnership.....	15
2.3	Relationship value.....	18
2.4	Obstacles of partnership.....	21
3	COMMITMENT IN SUCCESSFUL PARTNERSHIPS.....	23
3.1	Communications.....	25
3.2	Continuity.....	26
3.3	Power.....	26
3.4	Trust.....	27
3.5	Dependence.....	27
3.6	Investments.....	28
4	CASE STUDY.....	31
4.1	Research design.....	32
4.2	Interview results.....	33
5	CONCLUSION.....	42
6	DISCUSSION.....	45
	REFERENCES.....	47
	APPENDICES.....	50

1 INTRODUCTION

In the world of business a large amount of variability exists in characterising the relationships between companies. Relationships can be dyadic, between two companies, or they can be networks including multiple organisations connected to each other. Factors such as importance, strength, commitment and adaptation make business relationships different from each other. A business relationship consists of a series of episodes consisting of a series of interactions over time. (Buttle 2004, 13-15; 177; 181.)

The commissioning company, Mediracer, Mediracer Ltd, has always have dyadic business relationships with its resellers in foreign market areas. Whereas the whole of domestic market has been looked after by Mediracer themselves, the vast majority of the international market areas have been taken care of by the company's distributor partners. The reason for this is that as a small Finnish company they do not have enough resources for international marketing and selling activities, and having a niche product sees the domestic market area very limited, thus expanding to international market areas is vital for the company to succeed.

According to Vakaslahti businesses network for various reasons. When small businesses may need a bigger business as their stepping stone for larger markets, big business may correspondingly need help from a small and agile business to keep up with the latest development. Through networking and partnering businesses are able to utilise the strengths of each other and concentrate on their own core competences and skills. In successful partner programs each party profits from the results of the cooperation. (2004, 9-10.)

While Mediracer's reasons for partnering with distributors are quite clear, the path toward long-lasting and successful business relationship and further on to partnerships with their distributor partners has not been very smooth or clear in terms of having specified processes and practices for dealing with their relationship counterparts. Due to employee changes and unorganised management activities, the history of partner acquisition and relationship formation has not been completely documented for some of the cases, making the whole situation unclear and uncertain thus complicating the communication and interaction with such partners.

Vesalainen argues that for growth-oriented companies, the motive behind partnering with other companies is that through cooperation the chances for achieving better results, value creation, are far better than trying alone (2002, 39). Customer value creation with an aim of building long-lasting relationships, is a pivotal concept in management of relationships. Relationships with customers are a major assets for companies and they need to be managed with an innovative mindset. (Storbacka & Lehtinen 2001, 5-17.)

For Mediracer the distributor partners are an important and integral part of the company's operations. Especially recently, when the domestic markets has been found non-expandable, the growth and marketing and sales activities outside of Finland are more within the company's strategic focus. Currently Mediracer has distributor partners in the UK, Japan, Denmark, Australia and Saudi-Arabia. Alongside Japan which is well-managed and growing market, the focus in the near future will be directed in the UK and Scandinavia, especially Sweden and Denmark. However, the fact that managing of existing distributor partners lacks processual approach and coherence with nonexistent communications or interaction with some of them clearly indicates that the matter needs to be addressed and evaluated in order to excel in current and future relationships.

Peppers & Rogers (2011, 73-102) propose a four-step process, IDIC, as a tool for creating and managing customer relationships. The process, as depicted in figure 1, can be divided in analytical and operational steps, where the first two steps bring better customer insight and can be done in the privacy of the company whereas the latter two steps deliver a specific customer experience and demand the customers' direct involvement and their personal attention.

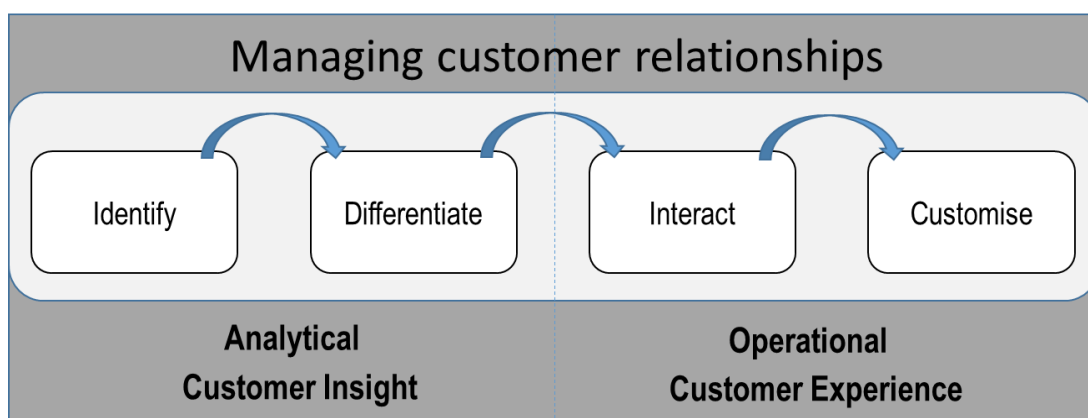


FIGURE 1. IDIC process (Peppers & Rogers 2011, 79)

The steps of IDIC process are described below (Peppers & Rogers 2011, 73-78.).

Identify

A company needs to be able to know and recognize their customer, not only individually but also on organizational level to deepen their knowledge about the customer and their needs.

Differentiate

A company needs to differentiate and recognize their customers according to the value their value, which relationships are most valuable now and which ones in the future.

Interact

Interaction with customers is vital to gain knowledge about their needs and expectations and their overall value for the business.

Customise

A company should adapt their business behaviours to their customers, based on their individual value and needs.

In Vakaslahti's (2004, 151-172) processual approach for managing partner relationships, depicted in figure 2, there are seven elements that follow each other in chronological order with some elements being partly parallel. The process elements often have pre-defined milestones with specific review requirements. The elements allow relationships classification, such as strategic, significant, project specific and regular, and include also negotiations on various levels.

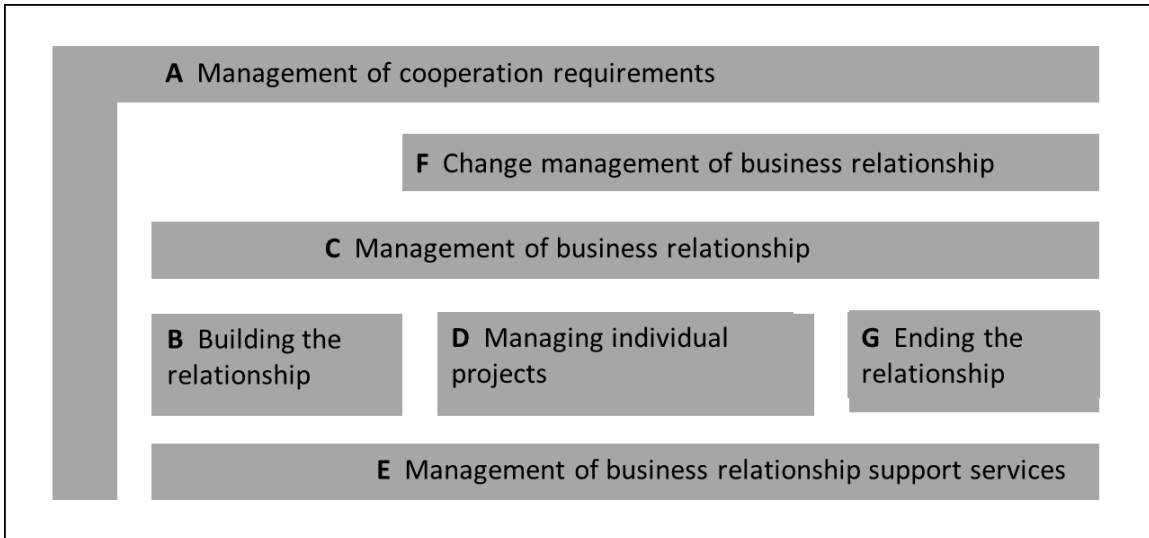


FIGURE 2. Seven process elements of partner relationship management (Vakaslahti 2004, 156)

Business-to-business interactions and relationships have received significant interest among researchers within the last few decades. The nature and mechanisms and characteristics of business relationships have been under investigation resulting to conceptual frameworks and terminology, such as relationship quality, to model and describe business relationships. Relationship marketing, which aims the marketing activities at developing and managing trusting and long-term business relationships, has generally been identified of comprising of commitment and trust as principal constructs. Relationship quality, although some variation in definitions, is mostly evaluated through commitment, trust and satisfaction. (Ulaga & Eggert 2004, 312; BusinessDictionary.com 2014, cited 12.11.2014.)

1.1 The Commissioner

Mediracer Ltd (later referred as Mediracer) is a medical technology company founded in Oulu in 2002. The company specialises in the development of Point of Care (POC) diagnostic testing equipment for the peripheral nervous system. The target has been to develop reliable and cost-effective products for examination of the most common neurophysiological disorders on primary health care level, requiring only a short training for the operators.

The company's internationalisation started in 2007 when they acquired direct customers in Sweden and their first distributor in the United Kingdom. In 2009 the company signed a distributor contract in Denmark and established a subsidiary in the UK. Today Mediracer has distributors also in Japan, Australia and Saudi-Arabia, and they are looking into expanding in Europe.

For a small business, such as Mediracer, expanding their operations into international markets may require skills and resources they do not possess. Partnering with an intermediary, such as a reseller or a distributor, may be the most favourable choice for a business to get their operations running outside of the domestic markets. From Mediracer's point of view, especially due to lack of resources, partnering is seen as a necessary action. Currently, the company has two employees which makes international expansion with own resources virtually impossible. Partnering with a local business in a target market benefits the company not only with resource sharing but with market knowledge and existing networks of customers and partners. A partner is also an important information channel about target markets, customer feedback and plays an important role in business development.

1.2 Research problem and objectives

The aim for this thesis is to find answers to questions: "What are the main determinants in transforming business relationships into long-lasting partnerships?" and "How is commitment achieved in business-to-business relationships and partnerships?". The empirical part of the thesis will focus on the experiences of both distributors of Mediracer, and experts by means of themed interview. The interview aims at providing vital information about different aspects of business relationships, from both distributors' and sellers' point of view for Mediracer to utilise in their relationship management.

2 BUILDING OF BUSINESS-TO-BUSINESS PARTNERSHIPS

Partnerships between businesses seek to share both the success and the risk and to create more value through combined resources and skills as well as interaction (Vakaslahti 2004, 18).

Business companies have different kinds of relationships with their customers and suppliers. Some relationships can be very routine-like consisting of just occasional telephone conversations or email orders for a straightforward service or product. Other relationships, on the other hand, can be more complex where interaction between parties go far beyond plain negotiations or conversations. Companies may do operational changes for the sake of cooperation with their partner, or their relationships can involve long-term commitments, financial investments and processual adjustments which lead to an increased dependency between each other. (Ford, Gadde, Håkansson & Snehota 2011, 10.) In this context, the business relationship, to distinguish from a more casual supplier-buyer relationship, can be referred as a business-to-business partnership.

Partnerships can be defined as deep relationships with a long-term focus taking time to develop and are based on trust and commitment (Tuten & Urban 2001, 161). Blomqvist, in her doctoral dissertation about the role of trust in asymmetric technology partnership formation (2002, 36-39), distinguishes four key concepts of partnership formation process: awareness, attraction, interaction and agreement. Awareness of need for partners or awareness of candidates for potential partnerships leads to attraction phase where a closer and long-term relationship with both economic and non-economic expectations is being considered between potential partners. In interaction phase the development of relationship is frequently assessed via adaptation, communication, trust and commitment. A contract as an agreement on partnership is an ultimate outcome of a successful relationship development.

Ford et al. (2011, 31) categorise the business relationship development into four stages: Pre-relationship stage, Exploratory stage, Developing stage and Stable stage. Through these stages the change and development of the relationship and its movement between the stages can be examined. Despite the cyclical development model not all relationships move between the stages in a predetermined way. While some relationships develop into a stable

and successful relationship, some others may completely fail to develop or are short-lived due to lack of skill or inattention.

Tuten & Urban (2001) present a model (see figure 3) for partnership formation and success, based on a previously constructed by Mohr & Spekman, where certain expectations about the future benefits gained by the potential partnership act as antecedents to the partnership formation. These antecedents are later benchmarked when evaluating the relationship and its success factors, whether or not the partnership is viable for growth and continuity. The evaluation process assesses the quality of the relationship, the work accomplished and the profitability of the partnership.

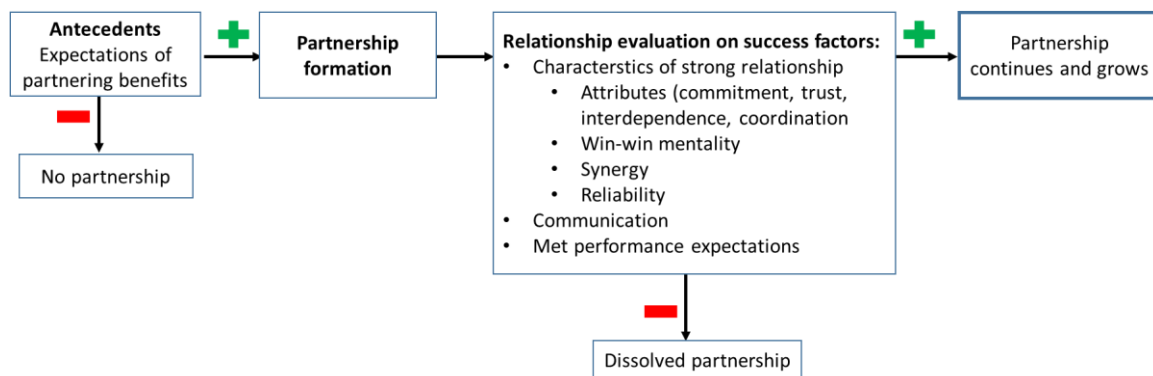


FIGURE 3: Partnership formation and success model (Tuten & Urban 2001, 160).

According to the study by Tuten & Urban (2001, 161) the partnership are understood as long-term relationships where some of the boundaries the partners otherwise have are removed. The development of partnerships takes time, the partners sometimes having a functioning and successful relationship before even considering the partnership. Partnerships are usually established by companies in hope to gain benefits that otherwise would not be achievable. Some of the reasons for engaging in partnership can be listed as: lower costs, increased service, competitive advantage, improve performance indicators, increased product quality and increased service quality. (Tuten & Urban 2001, 155.)

2.1 Relationship lifecycle

The development of the customer relationship over time can be viewed through a lifecycle consisting of different phases. Relationships are of dynamic nature as they evolve and change over time and through the different stages of the relationship lifecycle. (Buttle 2004, 14; 269-270.) As already described above (chapter 2), Blomqvist's theory views the relationship lifecycle through 4 stages: awareness, attraction, interaction and agreement, and according to Ford et al. Pre-relationship stage, Exploratory stage, Developing stage and Stable stage can be distinguished in customer relationship lifecycle. Throughout the literature various terminologies are used to describe the relationship lifecycle and how it evolves throughout time. Despite the terminological differences they all describe more or less the same, and a number of researchers are in their studies basing their relationship lifecycle categorisation on Dwyer, Schurr and Oh's (1987) five-phase relationship lifecycle theory. According to Dwyer et al. the relationship evolves through phases of Awareness, Exploration, Expansion, Commitment and Dissolution. Through awareness, when the possible partners are come to each other's attention, the performance and capabilities of both parties are explored to see whether the relationship can proceed or not. The exploration phase can be divided into five sub-phases of attraction, communication and bargaining, development and exercise of power, development of norms and development of expectations. Interdependence increases and trust is developed in expansion phase through various transactions. Adaptation and commonly agreed goals and roles characterises the commitment phase, however not all relationships reach the commitment phase. Breach of trust or change of requirements, for example, can be the reasons for the relationship to terminate. When the termination is agreed by both parties it is called bilateral termination. In unilateral termination only one of the parties initiate the ending of the relationship.

Buttle (2004, 40-41, 269-323) explains customer lifecycle as the fifth and last step in the CRM value chain for development and implementation of the CRM. In the customer lifecycle three major activities are recognised: acquiring new customers, retaining existing customers and developing customer value. Dismissal is also recognised as the last phase of the relationship's lifecycle as some customers will serve no useful purpose strategically and will not be profitable enough for the relationship to be successful.

Buttle's theory of customer lifecycle can easily be adapted to partnership lifecycle and in the acquisition phase three main decisions can be identified: which partners to target, how to communicate with them and what to offer them. Customer retention is one of the objectives in company's strategy to maintain successful long-term customer relationships and the effort is usually directed to the strategically important customers. With the retained customers the process will proceed to development phase in terms of value-growing of those customers. Some of the development tasks includes data mining, customisation, channel integration, integrated customer communication and campaign management. (2004, 269-322.)

According to Storbacka & Lehtinen (2001, 68-93) the common phases of relationship lifecycle across industries include establishing, enhancing and ending of relationships, with each phase demanding different measures to increase relationship value. The adaptation of their lifecycle model, in figure 4, depicts how certain tasks during the relationship are separately executed by the parties, but gets intertwined once the relationship matures and gets into closer partnership.

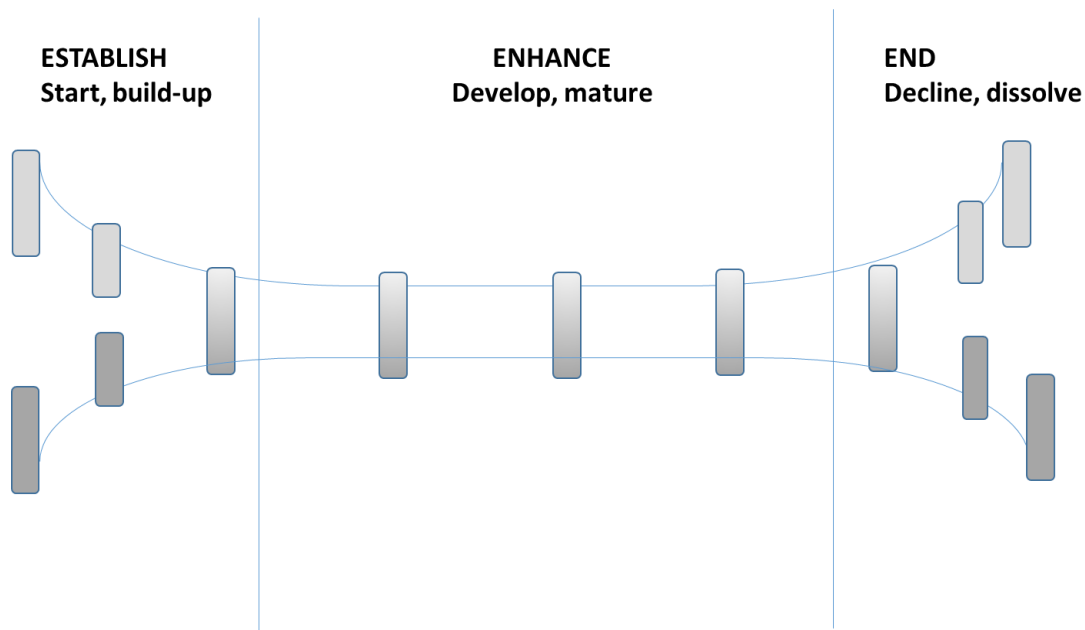


FIGURE 4 Relationship lifecycle, adapted model (Storbacka & Lehtinen 2001).

Establishing relationships

Establishment phase of relationship includes agreements and signed contracts and the future of the relationship is determined in the very beginning of the relationship by getting into contractual

agreements with certain types of customers. Investments are already required at the early stages of the relationship in forms of resources and campaigns and an evaluation of costs following the new relationship is needed to assess the profitability of the relationship. (Storbacka & Lehtinen 2001, 69-76.)

Enhancing relationships

Enhancing existing relationships increases more value than establishing new relationships. After the initial relationship establishment the development work of increasing of the relationship value can be started (see 2.4 Relationship Value). Satisfaction is an important attribute in a strong relationship, but alone is not sufficient. The strength and duration of the relationship are interlinked in terms of stronger the relationship the longer it usually lasts thus bringing more value into the relationship. The factors contributing to relationship strength and onward to relationship duration is illustrated in figure 5:

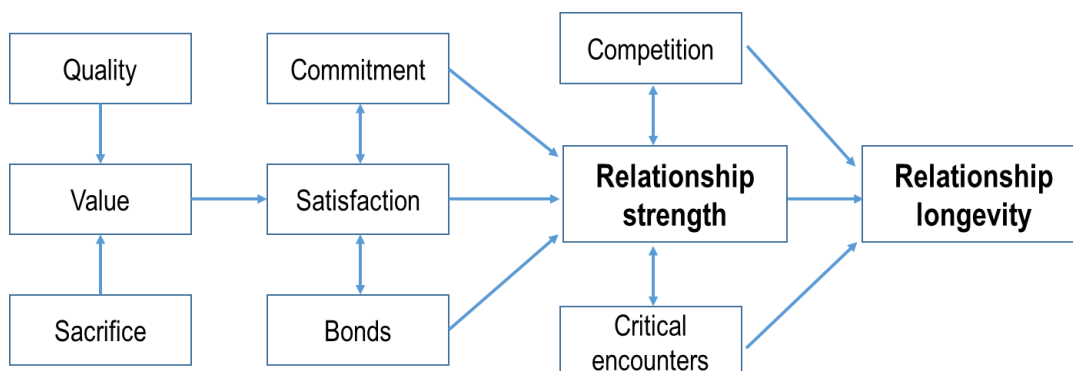


FIGURE 5. Factors contributing to relationship strength and longevity (Storbacka & Lehtinen 2001, 84, 88)

Ending relationships

Business networks are dynamic, changing and evolving through time. Some relationships are started and some ended. Strategic changes in businesses, mergers or company takeovers may be reasons for ending relationships. (Vakaslahti 2004, 172.) All relationships face crises at some point of time. When a crisis cannot be resolved in a positive way and a business relationship ends, it can be initiated either by the supplier/seller, or the customer/buyer wants to end it and

start a new business relationship with another company. Lack of value in the relationship may bring it to its end and critical encounters in relationships need to be handled in a satisfactory way. Not all crises, however, end in a negative way as it can be a new beginning for the development of a relationship. Failures and critical encounters do not always mean ending of the relationship if both parties are committed to it. The termination of a relationship should always be dealt in a sophisticated manner as terminated relationships may hold future potential due to their reference value. (Storbacka & Lehtinen 2001, 88-92.)

2.2 Elements of partnership

Britton (see Peppers & Rogers 2011, 46-52) presents six most essential relationship-forming determining elements or building blocks that influence the relationship's nature and quality. In addition to trust and commitment, satisfaction, uncertainty and dependence, fairness and symmetry are listed as the key factors resulting the increased impact on relationship-forming process.

Figure 6 illustrates the process of relationship-forming where the elements affecting the formation of the customer relationship the most are placed closest to the relational side of the process whereas the elements with least impact are closest to the discrete side.

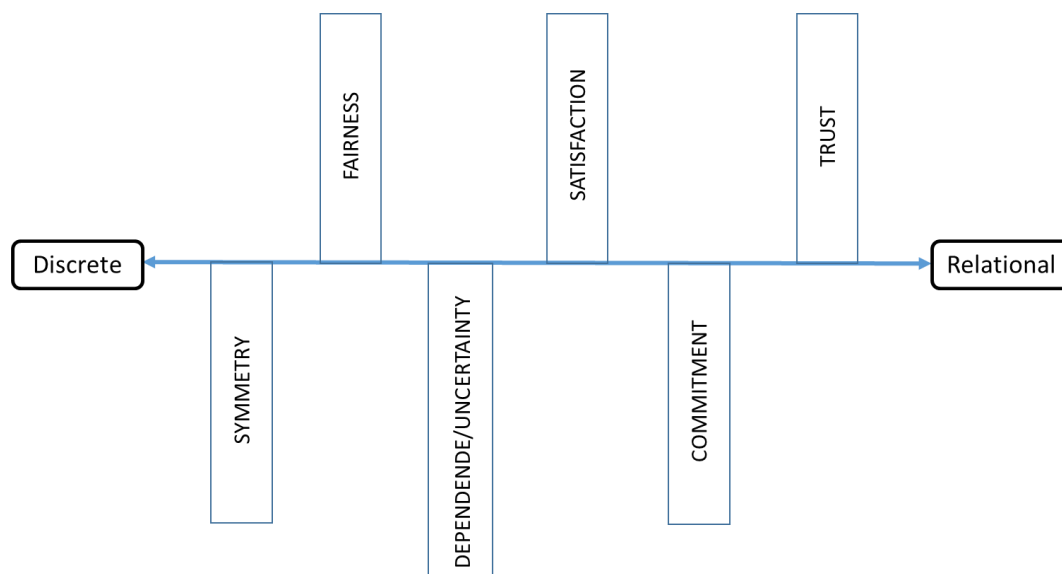


FIGURE 6. Increased impact on relationship-forming process (Peppers & Rogers 2001, 47)

Trust and **commitment** as both key-mediating variables of successful relationships. In a business-to-business relationship, the customer will attempt to reduce its perceived risk by selecting a credible and reliable supplier with benevolent qualities towards the wellbeing of its business partner. Trustworthiness is a sought-after quality of potential relationship partners due to the fact that commitment also brings along vulnerability. Thus trust can be regarded as a strong contributor to commitment. (Ulaga & Eggert 2004, 315, Peppers & Rogers 2011, 47-49.)

Trust and commitment are also key concepts of relationship quality, together with **satisfaction**. Satisfaction strongly contributes to relationship behaviour such as loyalty and word of mouth and satisfied customers prefer to stay in the relationship and dissatisfied customers tend to leave the relationship. The way customers perceive their experiences in the past have got a great impact on the duration of the business relationship with their counterparts. (Ulaga & Eggert 2004, 316; Peppers & Rogers 2011, 49-50.)

Partnerships tend to have a nature of high mutual **dependence** due to financial and resource-based commitments. Uncertainty creates dependence, and the dependence-based relationships need trust in order to have a long-term focus. (Valkokari, Hyötyläinen, Kulmala, Malinen, Möller & Vesalainen 2009, 135; Peppers & Rogers 2011, 50.)

While trust, commitment and satisfaction have generally been the measures of relationship quality, research has shown that also **fairness** in relationship contributes to quality. Distributive fairness focuses more on relationship outcomes whereas procedural fairness, independent of the outcome, focuses mostly on behaviours and contributes more on the development of trust and commitment in long-term relationships. (Peppers & Rogers 2011, 50-51.)

Symmetry in relationships reflects the equality between the members thus bringing different levels of stability in the relationship (Peppers & Rogers 2011, 51-52.)

In their study “An Expanded Model of Business-to-Business Partnership Formation and Success” (2001) that builds upon Mohr & Spekman’s previous model, Tuten & Urban argue that in addition to characteristics such as trust, reliability, honesty and fairness, also improved communication and satisfactory performance indicators contributes to forming of successful partnership.

All the above mentioned characteristics are mentioned also by Vesalainen (2002, 40-59) in his multi-dimensional theory of examining partnership elements. This theory is based on a framework of two-dimensional examination of inter-firm relationships where the relationships are evaluated from the perspectives of both organisational and business bonds. In the multi-dimensional examination theory both the organisational and business bond dimension are divided into sub-dimensions, depicted in figure 7:

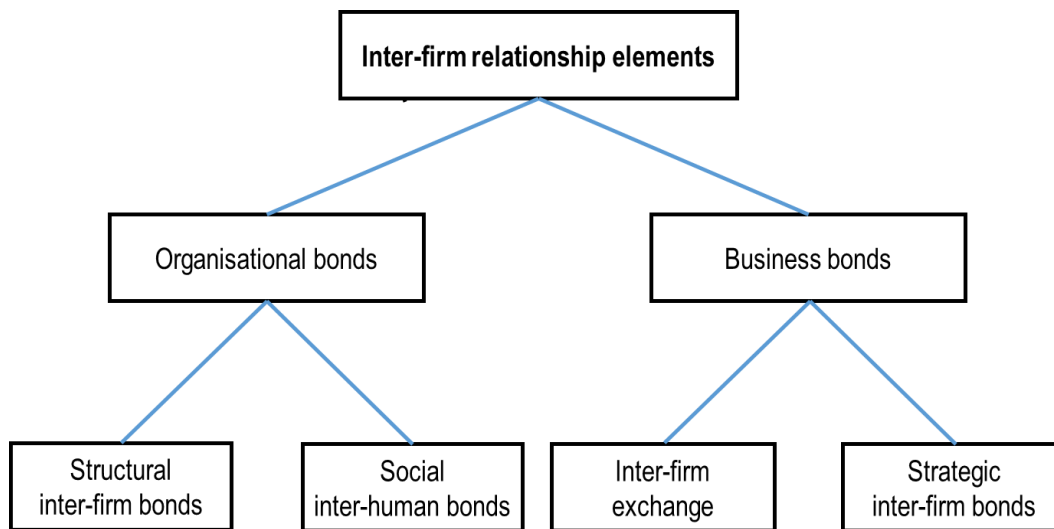


FIGURE 7. Theoretical framework for partnership analysis (Vesalainen 2002, 42)

The division in organisational and business bonds is based on the assumption that partnerships is about linkage between organisations by means of bonds strengthening the common operations, as well as transactional business linkage which, by means of cooperation forms additional values, improves the partners' positioning in markets thus increasing profits of both businesses. (Vesalainen 2002, 42-50, 58-59.)

The sub-division of the organisational bonds into structural and social bonds includes common routines, structures, systems and processes for the former and trust, interaction, learning and common view of the existence between both parties for the latter dimension. The business bond dimension is depicted in more detail through the exchange of physical outputs and services between companies, and strategic bonds through core competence completion,

similarity of strategic objectives, win-win situation and risk sharing for both parties. (Vesalainen 2002, 50-59.)

A Partnership Monitor analysis tool was created as a spin-off from Vesalainen's (2002) study about the inter-firm relationships, and, alongside other means of use, it can be used for analysing the present and the target states of the business relationship between both parties. By considering and weighing all the prerequisites and investments as well as side effects and benefits of each dimension, action programs to develop each dimension within the relationship are created as an end result. These programs, together and with reciprocal dependencies form a development strategy for the partnership between companies, as depicted in figure 8. (166-181.)

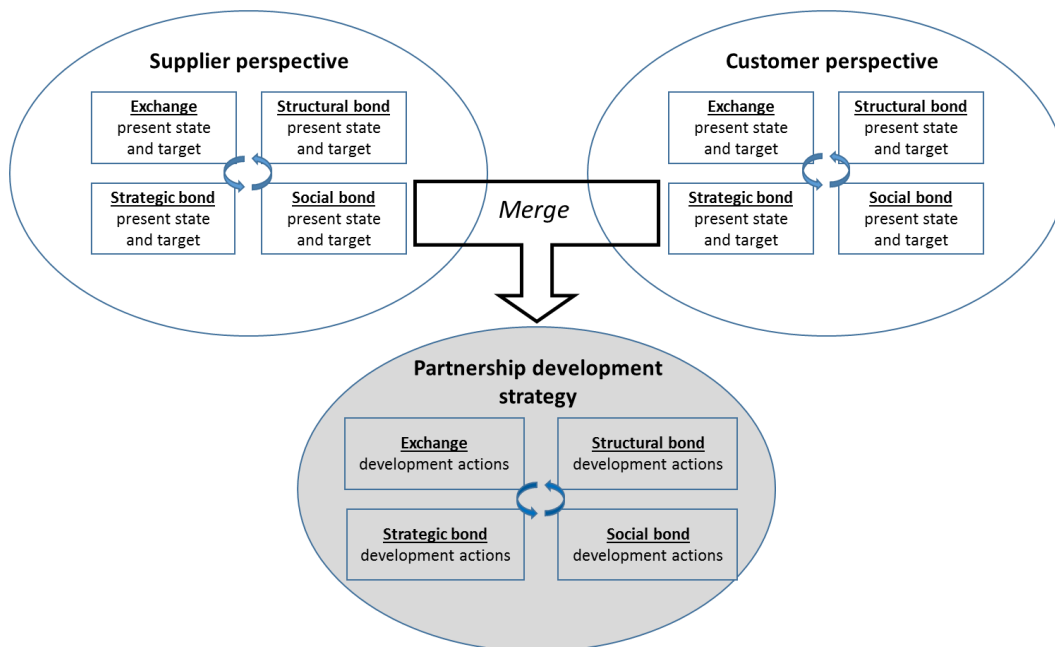


FIGURE 8. Partnership Monitor model for partnership development strategy (Vesalainen 2002, 181)

2.3 Relationship value

The value proposition of a business relationship is determined by what expectations of each relationship a company can meet. By recognizing the value of each business relationships

the company is able to prioritise and direct its operations to those relationships generating higher returns. (Peppers & Rogers 2011, 121-122, Storbacka & Lehtinen 2001, 14.)

Companies define their customer-specific financial objectives with customer's actual and potential values. The **actual value**, also referred to as life time value is the value the customer currently creates for the company whereas the **potential value** is what the customer could create in terms of financial contributions if the customer's behaviour can be changed. (Peppers & Rogers 2011, 122; 157.)

Potential value is also listed as one of four relationship value dimensions by Storbacka & Lehtinen (2001, 14-17) as an important tool for a relationship driven strategy. Development and determination of value potential of already existing relationship can have a great impact on future revenues, and unprofitable relationship can still be potentially profitable. (Storbacka & Lehtinen 2001, 16-17). The other dimensions of relationship value by Storbacka & Lehtinen (2001, 15-16) are relationship longevity, competence value and reference value which all can be viewed from both present and the desired state.

Relationship Longevity

Relationship longevity depends on customer retention and often longer lasting relationships are on stronger ground and provide the company with more potential in relationship development (Storbacka & Lehtinen 2001, 15-16).

Competence Value

Through partnership the competences the company does not have are brought into the relationship. Through competence the companies gain competitive advantage that in turn creates more profitability. (Storbacka & Lehtinen 2001, 16.)

Reference Value

In business-to-business marketing customer references are vital as they create possibilities for

new relationships. Customers with major reference value are those who are committed and prepared to recommend and work on behalf of the company. (Storbacka & Lehtinen 2001, 16.)

According to Lehtinen (2004, 129) both the reference value of customers as well as the brand value of the customers are important. The reference value can be viewed through two perspectives; how important are the customers and the content of the importance of the customers.

Storbacka & Lehtinen's (2001, 17) three dimensions for customer relationship management (see figure 9) illustrates how the relationship value can be increased by the areas of exchange of resources, relationship structure and relationship phases

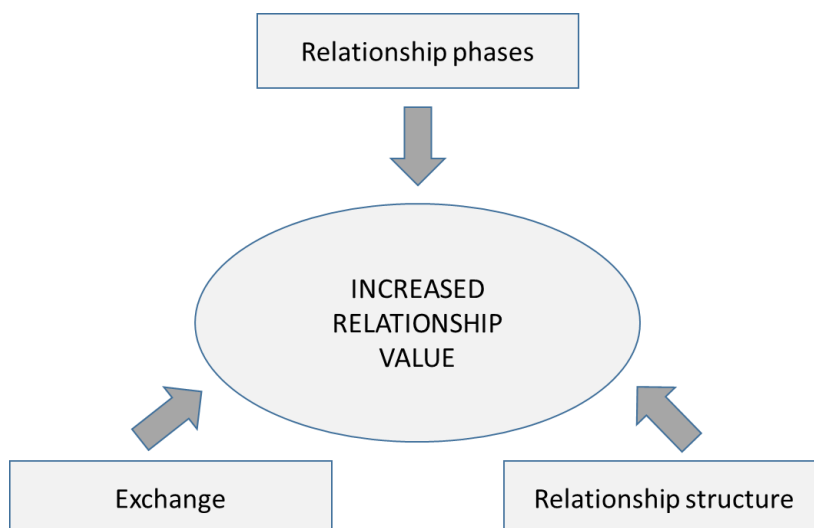


FIGURE 9. Three dimensions of Customer Relationship Management (Storbacka & Lehtinen 2001, 17)

Ulaga & Eggert (2004, 313-316) suggest in their research that when modelling business relationships, the relationship value should be included as a key component. Their research also denominates the “widespread consensus” by Anderson (1995) that “value creation and value sharing can be regarded as the raison d’être of collaborative customer-supplier relationships”.

According to Ulaga & Eggert (2004, 314) the concept of value has four commonly identified characteristics among literature:

1. Value as a concept is a subjectively perceived where for example the value of a product or value delivery of a supplier is differently understood by different actors
2. Value is regarded as a trade-off between benefits and sacrifices, in other words what you get and what you give
3. Benefits and sacrifices are multidimensional where benefits can entail a combination of behavioural and strategic benefits, and sacrifices can be seen as a combination of price and relationship related costs.
4. Value is relative to competition, which requires assessment between the market and competing offering.

2.4 Obstacles of partnership

Gibbs (2009, 79-89) argues that it is essential for management of a company to understand the key performance drivers of a relationship and to have an objective and current view of the partnership in order to have a successful and working partnership. Gibbs lists six practices, depicted in figure 10 that will have a negative impact on partnerships.

Poor relationship management	Underestimation of management tasks and inability to resource and manage the inter-organisational partnership situation.
Lack of commitment	Lack of organising the joint activities for planning, investments, resourcing and management.
Adversarial practices	Lack of symmetry, social bonds and communication results in increased costs and lower levels of trust.
Inadequate joint performance measurement	Lack of joint performance measures, systems and processes lead to poor quality and low customer service.
Fear of dependency	Fear of losing freedom, independency and control causes uncertainty.

FIGURE 10. Negative practices affecting poor partnership performance (Gibbs 2009, 80)

To reduce the risk for poor partnership performance, the activities of proactive relationship management, joint objective-setting, open communication and visible performance measuring should be in place to reach high-level commitment (Gibbs 2009, 80).

Reflecting on Gibbs' six practices, it can be recognised that Mediracer's current problems in their distributor relationships mirror somewhat these same areas, and this provides a good guideline for them to understand and start working on the matter.

3 COMMITMENT IN SUCCESSFUL PARTNERSHIPS

Relationship quality is a central construct in the relationship, and is multi-dimensional and subjective as a concept. However, the literature commonly sees relationship quality with a two or three dimensional structure of trust, commitment and satisfaction. (Woo & Ennew 2003, 1252-1254.) Commitment is widely seen as a pivotal construct in successful and long-term relationships between companies (Stanko, Bonner & Calantone 2007, 1094; Geyskens, Steenkamp, Scheer & Kumar 1996, 303-304; Goodman & Dion 2001, 289).

Peppers & Rogers (2011, 50-51) and Buttle (2009, 30-31) define relationship quality as trust, commitment and effective conflict resolution between the relational parties with the level of relationship quality being directly related to the longevity of the relationship. Also conflict, trust, commitment, willingness to invest in the relationship, expectation of continuity, fairness, absence of opportunism, minimal opportunism and ethical profile are named as important components of relationship quality by various studies (Woo & Ennew 2003, 1254).

In their study about the effects of trust and interdependence on relationships commitment, Geyskens et al. (1996) recognised two types of commitment that may characterize the relationships between companies. **Affective commitment** is about liking to maintain the relationship, whereas **calculative commitment** expresses the need to maintain the relationship. When commitment in general is about intentions for relationship continuation, there can be different motivations underlying these intentions. Calculative commitment assesses the costs and investments of the relationship, whereas a desire for continuation and sense of loyalty and attachment is experienced. (303-305.)

According to Stanko et al. (2006), the strength of inter firm ties, both affective and behavioural, and development of commitment are interlinked (1094). Granovetter's (see Stanko et al. 2006, 1095-6) framework of four dimensions of tie strength consists of behavioural dimensions of relationship length, mutual confiding and reciprocal services and an affective dimension of emotional intensity. Use of this framework allows the traditional, trust-building focused view of commitment formation be extended to include also information and knowledge transfer and use, opportunity identification and market uncertainty as equal parts. Stanko et al. argue that the affective dimension, compared to the behaviour-based dimensions, of inter firm relationships

is an understudied, yet pivotal construct in buyer-seller relationship commitment. Their study amongst purchasing managers supported this perspective where of the four tie strength dimensions the affective one, emotional intensity proved to have the strongest and highly significant link with commitment. The relationship length was, at the same time, found to have no interconnection with commitment. This could be explained by the fact that as relationships are monitored continuously, regardless of the relationship longevity, thus commitment can equally take place in new, recently established as well as long-term partnerships. Stanko et al.'s model of commitment formation through tie strength perspective in buyer-seller relationships and how it was perceived by purchasing managers in their study is depicted in figure 11.

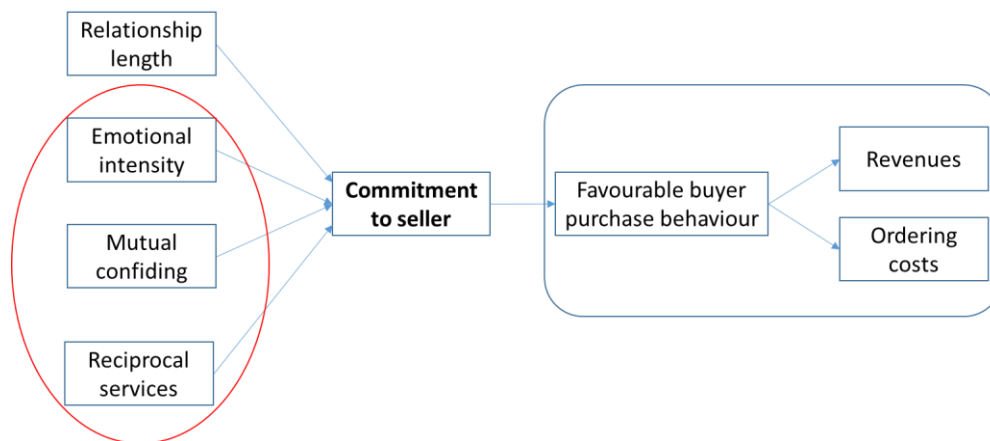


FIGURE 11. Inter firm relationship tie strength and commitment model (Stanko et al. 2006, 1097).

The commitment model by Stanko et al. illustrates that there is a strong link between commitment and favourable buyer purchase behaviour resulting to increased revenues and lowered ordering costs through more efficient process creation by a committed buyer (Stanko et al. 2006, 1098, 1101).

Goodman & Dion's (2001) research theory is reflected more closely in this thesis as it incorporates the majority of the terminology, characteristics and variables mentioned across the literature. Their study examines the commitment in distributor-manufacturer relationships in highly differentiated high-tech industrial products, how distributors perceive commitment in relationships with manufacturer, and how previously studied determinants reflect the commitment model developed through the study (287-300). Goodman & Dion's (2001, 289)

original commitment model, depicted in figure 12, has the determinants distinctively divided in two dimensions: behavioural and marketing.

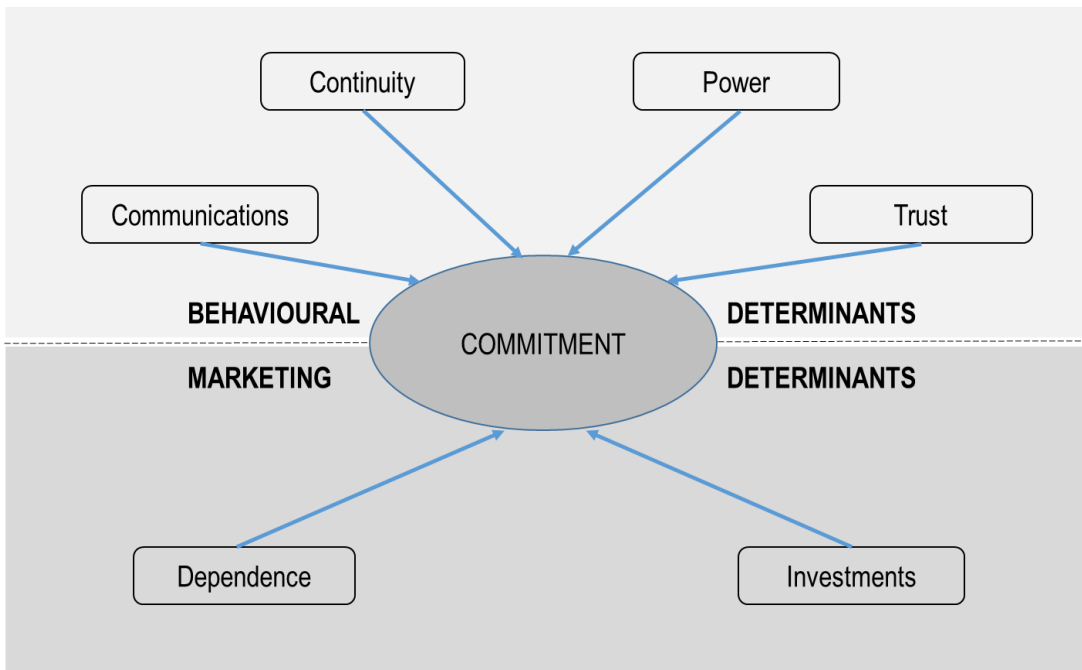


FIGURE 12. Commitment model (Goodman & Dion 2001, 289)

The existing research widely focuses on behavioural determinants, such as trust, communications and power, regarding commitment in business relationships (Goodman & Dion 2001, 288.)

3.1 Communications

Effective communication can be regarded as a key construct in successful partnerships (Tuten & Urban 2001, 157; Mohr & Spekman 1994, 137-139; Goodman & Dion 2001, 291). In their study Mohr & Spekman (1994, 137-138) describe communication as “key indicant of the partnership’s vitality” while identifying three aspects of communication behaviour in partnerships: communication quality, information sharing and participation. Communication quality entails dimensions of accuracy, timeliness and information credibility and is a pivotal factor of achieving success in potential partnerships. Information sharing as the means and quantity of critical information communicated between partners enables them to act more effectively and independently, resulting to increased satisfaction and plays an important role in partnership

success. The expectations and cooperation efforts of the partnerships can be reached by mutual planning and setting of goals, participating. Altogether, the three levels of communication behaviour practiced in high levels result in more successful partnerships. (Tuten & Urban 2001, 151; Mohr & Spekman 1994, 138-139.)

3.2 Continuity

Continuity of a partnership grows through commitment, but in reverse, a long-term partnership is not necessarily a committed one. It is, however, predictable that increased level of continuity, in other words the number of years of the partnership, also increases the level of commitment. (Goodman & Dion 2001, 291.)

3.3 Power

According to Hingley (2005, 848 – 856) power in business to business relationships has been widely recognised as a constant presence, yet the significance of it has been overlooked. Furthermore, the construct of power has received opposing and irregular views throughout the literature, often with a negative view.

In their study made in the 1950's, Raven and French (see Goodman & Dion 2001, 290-291) distinguish a classification of five sources of power that base their success on legitimate, expert, referent and coercive factors as well as utilization of reward. **Legitimate power** is based on authority when manufacturing/selling organization exercises power over the distributing/buying partner. **Expert power** is the knowledge held by the manufacturer/seller and **referent power** is based on emotional levels between partners. Reward power means tangible and non-tangible rewards provide by the seller that the buyer finds attractive. **Coercive power's** basis is fear and force and the tactics the seller is able to exercise.

Bretherton and Carswell (see Hingley 2002, 849-851) argue that in business relationships the positive power balance brings more stability into the relationship and that situations with power imbalance would result in the weaker party seeking partners elsewhere. However, power imbalance often exists in business relationships and such relationships can still be workable and long-lasting. Kumar (see Hingley 2002, 851), even though viewing power as the antithesis of trust

maintains that inequality between partners does not prevent trusting partnerships if the powerful party treats the weaker party fairly.

3.4 Trust

Trust is, has been and most likely will be a critical construct and an ultimate requirement in customer relationships and partnerships (Goodman & Dion 2001, 290). Trust is a belief that the partnering company only performs actions resulting in positive outcomes and avoids actions with negative outcomes (Anderson & Narus 2004, 406-407). According to Kumar (see Anderson & Narus 2004, 407) trust is built in three ways: by demonstrating dependability, acting in the partner's best interests and by cultivating a reputation for fairness.

According to Geyskens et al. (1996, 307) trust has been widely recognised throughout the literature, as a pivotal construct in developing long-term business relationships. Social psychology includes honesty and benevolence as crucial elements through which trust is experienced in a relationship. In their study, Geyskens et al. (1996, 307-314) found that the presence of trust in a relationship increases the affective commitment and vice versa reduces the calculative commitment. In case of absence of trust calculative commitment can still develop, depending on how the relationship's interdependence structure is built.

3.5 Dependence

Emerson's (see Geyskens et al. 1996, 305) conceptualization of power-dependence theory has often been used by researchers as basis for defining dependence. According to this early theory, where the focus is mainly on a company's dependence without reference to its partner's dependence, each party's own motivational investment in the relationship and the replaceability of their partner determines their dependence on their partner. The motivational investment has a monetary approach where dependence grows along with the money the partner accounts for, whereas the replaceability expresses the difficulties in replacing a partner, for monetary or other reasons.

With dependence, the structural elements tying companies to each other are measured. In this sense the dependence from calculative commitment, where these structural ties are the basis for

the partner's motivation to continue the relationship. (Geyskens et al. 1996, 305.) According to the study made by Geyskens et al. (1996, 314) that the calculative commitment tends to increase for both parties when the relationship gets more interdependent. The existence of trust between the parties may or may not result in replacing the calculative commitment with affective commitment as the motivation for the relationship continuation.

3.6 Investments

Relation-specific investments, or idiosyncratic investments, can include both monetary and non-monetary expenditures, such as campaigns, equipment, time and effort. The more investment the manufacturer brings to the partnership the more investment can be expected also from the distributor; according to Anderson and Weitz (see Goodman & Dion 2001, 292) in manufacturer-distributor relationships, the idiosyncratic investments have an important role in the commitment development. Product salability, how the distributor sees the product being able to sell, how good is the value and quality compared to competing products is an important contributor towards commitment. Overall, the selling of goods or services is the main purpose of the existence of seller-buyer or manufacturer-distributor partnerships. (Goodman & Dion 2001, 292.)

The results of Goodman & Dion's study showed that all those commitment determinants they had previously modelled were all found to be relevant, with the exception of continuity which was discarded from the revised commitment model. Like Stanko et al. (2006, 1101) discovered in their study, the relationship length, continuity, does not play a significant part in commitment formation and building in business relationships. The new model and the research approach sees the variables impacting on a commitment development as a group process rather than individual factors, even though the study suggested differing levels of determinants' influence on commitment. The division between marketing and behavioural dimensions was also removed from the new commitment model, even though the determinants generally have either marketing or behavioural characteristic. From the commitment development point of view this divisioning was seen irrelevant. (2001, 295-298.)

In their revised commitment model, depicted in figure 13, Goodman & Dion (2001, 298) present the determinant of trust as **anticipation of trust**, pointing toward the future actions in

a relationship creating trust between the parties. With regards to **effective communications** in a business partnership, the quality more so than the quantity of communications contributes to increased commitment from the distributors. A communication relationship is established when the manufacturer provides truthful, timely, useful and concise information.

In addition to the original commitment model, product **saleability** as a marketing determinant was added in the research. The focus of the manufacturer – distributor relationship being the products it is logical that the research proved this determinant as the highest one to influence on relationship commitment, even though being discounted or even excluded from previous studies about relationship commitment. The saleability of the manufacturer's products is proven to play a crucial part in determining the level of commitment in the relationship.

Even though a high level of **ease of sale** is supposed to be an important factor in relationship commitment, the study shows this is not the case. Also, the discrepancy between the determinants of product saleability and ease of sale influencing the relationship commitment brings an interesting viewpoint. According to the study it could be assumed that depending on the sales persons and the industry they represent may have differing perspectives whether or not the product being easy or difficult to sell has any impact on the relationship commitment.

Investments specific to a relationship, **idiosyncratic investments** such as advertising campaigns, product training and demonstration equipment, are a strong predictor of relationship commitment. The more the manufacturer invests in the partnership the deeper the relationship commitment level and the distributor's total investment to the partnership. However, the manufacturer's investments need to be specifically attached to the partnership to contribute to enhanced commitment.

In their research Goodman & Dion discovered that neither **dependence** nor coercive **power** play a crucial role in distributor commitment even though they both do contribute to commitment on some level (2001, 298-299). By being able to influence positively on their partners' commitment behaviour by means of motivational benefits, manufacturers have earned and develop the user of noncoercive power as their **strength**.

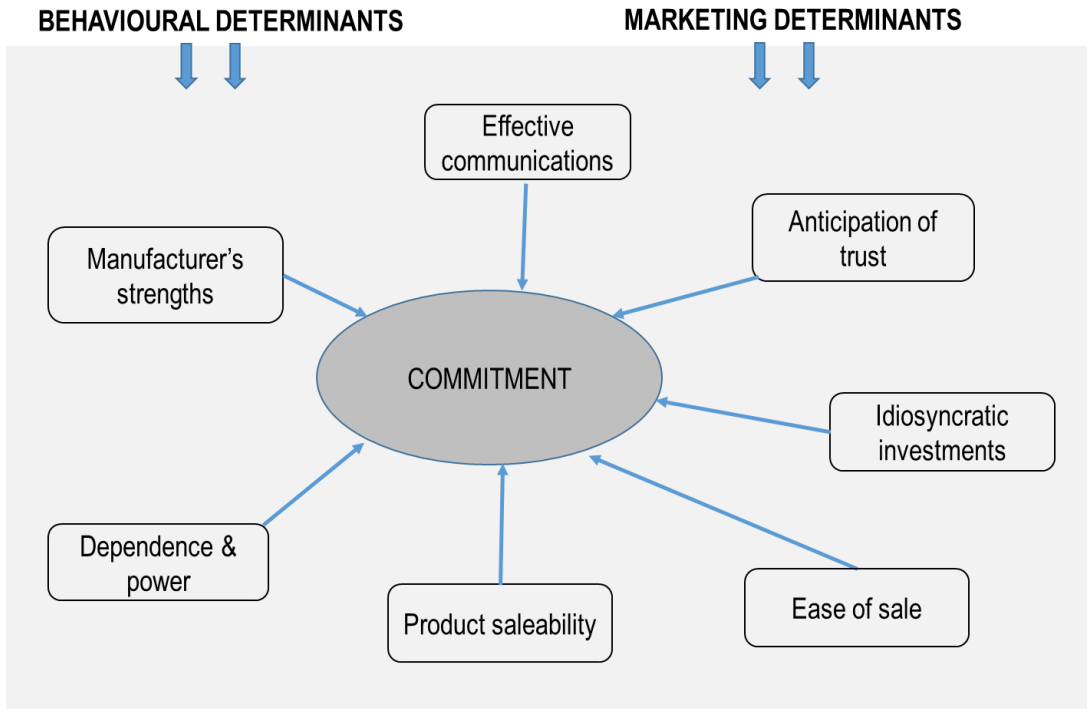


FIGURE 13. Revised commitment model (Goodman & Dion 2001, 298).

4 CASE STUDY

This research focuses on the personal experiences and viewpoints of Mediracer's distributing partners, both expired and current, concerning the nature of the business relationship, their perceptions and expectations as well as the realisation of the relationship.

Robson (see Saunders, Lewis & Thornhill 2009, 145-146) describes case study as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context, using multiple sources of evidence." According to Yin (2014, 2) the case study, in addition to surveys, modeling or experiments, is a form of social science research. Case study is a useful method when answers are needed for 'why' and 'how' questions, behavioural events cannot be controlled and the focus of the study is not an entirely historical phenomenon. A case study inquiry is two-fold with its scope and features, and the epistemological orientation of the research can be with a relativist, an interpretivist or a realist perspective (Yin 2014, 16-17). This study has a relativist perspective in a sense that there exists more than just one truth and the subjective perspectives or each interviewee will elucidate the study.

In the process of case study research, depicted in figure 14, Yin (2014, 2-207) identifies 6 linear but iterative phases: plan, design, prepare, collect, analyse and share.

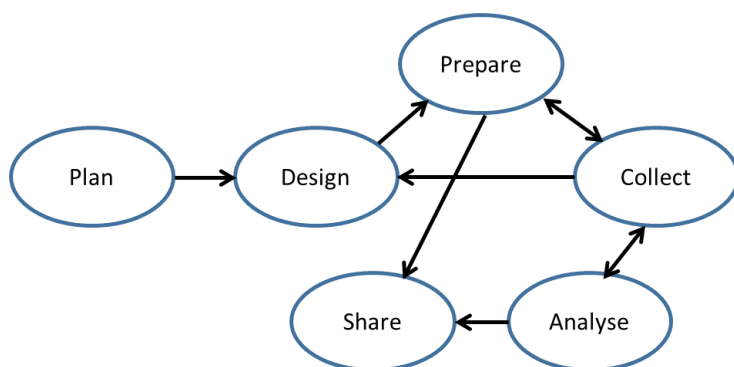


FIGURE 14. Case study research process (Yin 2014, 1)

4.1 Research design

A qualitative approach for this study was chosen due to the participants' subjective perceptions and experiences of the phenomena of business relationship and relationship quality. The aim of this research is to answer the questions 'what' and 'how' and to find the factors influencing the phenomena, which also supports the use of the qualitative approach. The aim of this research is to understand the structure of the business relationship from the perspective of Mediracer's distributor partners, as well as experts dealing with business relationships, what do they regard important and how they perceive and experience the relationship and its potential development into a partnership, and analyse the main findings as thoroughly as possible.

Yin (2014) distinguishes six most commonly used sources of evidence in doing case study research. These sources include archival records, documents, interviews, direct observations, participant-observations and physical artifacts. (102, 105.) A semi-structured theme interview was used as a method for collecting the empirical data for this research.

The theme interview is a type of semi-structured interview where interview is constructed in pre-selected themes. The themes and the questions are the same for all interviewees yet giving the possibility for open and free speech and opinions. The theme interview aims at observing the interviewees' interpretations and relevance of the phenomena. (Saaranen-Kauppinen & Puusniekka. 2006. KvaliMOTV - Menetelmäopetuksen tietovaranto [verkkojulkaisu]. Viitattu 08.12.2014.)

For this study the focus on selecting the interview candidates was to have a wide perspective in distributor relationships Mediracer has have in terms of geographical locations, longitudes of relationships and relationships in different phases of relationship lifecycle. For the expert interviews the focus was on having a viewpoint from a person having a strong background and experience in dealing with business relationships thus giving valuable insight on how forming and developing business relationships are perceived from the seller's point of view.

The candidates for the distributor interview were selected to cover all current resellers, located in UK, Japan, Denmark, Australia and Saudi-Arabia, as well as previous, already ended reseller

relationships from UK, Estonia, Italy, the Netherlands and Sweden. Altogether, there were ten interviewees from ten companies.

The interview was carried out as an email questionnaire and the candidates had also possibility for telephone interview. The questionnaire was constructed with Webropol survey software in order to have a nicely structured layout that is easy for the respondents to use, and to receive all the answers in one place with a possibility to get analysis and report from the answers. The semi-structured interview questionnaire was constructed to reflect the theoretical framework of this thesis and it contained the themes of Relationship lifecycle, Relationship value and Relationship quality. Additionally, a section of General and Additional information were added to the questionnaire to cover some generic questions about business relationship as well as give the possibility for the respondents to have free words about the topic. Two separate interview questionnaires were created to cover both categories, the ongoing distributor relationships and the expired distributor relationships, with some specific questions. Both questionnaires consisted of 18 questions with the majority of the questions being open-ended and a few structured questions.

The expert interview was carried out as a face-to-face interview and consisted of the same themes as the distributor interview, but was tailored to include only open questions to allow the interviewees reflecting their answers as freely as possible. The interviewees selected were Mr. Petri Saari, a Sales Director of Proventia Emission Control Oy and Mr. Manne Hannula, a CEO of Otometri Ltd. Proventia is an environmental technology company, based in Oulu, Finland, providing state-of-the-art emission control solutions for diesel engines, machines and vehicles both in OEM and retrofitting markets (Proventia 2014, cited 13.01.2015). Otometri Ltd is a medical technology company, also based in Oulu, Finland, having developed a reliable solution for home-based detection and monitoring of middle-ear infections (Otometri 2014, cited 13.01.2015).

4.2 Interview results

The interviewees were asked to give information about the reasons, perceptions and expectations about their business relationship either with Mediracer or their respective business partners. Unfortunately the response rate with the distributor interview

was not very high, with only one response from both categories. However, both respondents were seen very important as the ended distributor respondent, respondent A, was the very first distributor for Mediracer, located in the United Kingdom thus giving excellent insight on how the relationship was handled at the time and why the relationship ended. The ongoing distributor respondent, respondent B, is from the newest growth market for Mediracer, Japan, thus extremely important in giving insight into their perceptions and expectations.

The questionnaires in both categories, the ongoing and the ended distributors, contained questions from same themes: relationship lifecycle, relationship value and relationship quality as well as some generic questions and voluntary additional information. The questions inside each theme were tailored to suit the purpose of the current situation in the business relationship.

General

In both categories the relationship was seen formal. As an expectation, both respondents saw that the reason for entering the business relationship was the potential to sell the niche yet leading edge product that complements their portfolio in local medical markets.

According to the respondent A the expectations were, however, quite unrealistic thus ultimately leading to the dismissal of the relationship. The respondent B felt the local medical markets are challenging in terms of getting the advantages of Mediracer as a niche product proven among the professionals.

Relationship lifecycle

In the case of respondent A, their business relationship had already ended thus they were asked to reflect on how the development of the relationship evolved throughout the lifecycle and why the relationship ended and how it was handled. Respondent A felt the unrealistic expectations increased throughout the lifecycle and the relationship ended when Mediracer established a subsidiary in UK. At this point a distributor was no longer needed and according to respondent A the whole of dismissal process was not handled very well leaving them with quite negative recollections of the relationship.

Respondent B, on the other hand, are in the early stages of the relationship. They were asked to describe how a successful business relationship can be kept ongoing and alive, and why relationships stagnate and could once stagnated relationships still be revived. According to respondent B, the key to a successful relationship is sharing and prioritising duties, as well as clear definition and designation of roles and responsibilities of each party. Failing in the aforesaid can lead to stagnation of the relationship, but by means of clarifying and discussing the future visions and how to achieve the goal can help in reviving the relationship.

Relationship value

Relationship value can contain both monetary and non-monetary aspect, in this context the value proposition of a business relationship is mostly determined by what expectations of the relationship can be met. The respondents were asked about factors contributing to increased relationship value, as well as to evaluate Mediracer's business model and revenue generation model, how well those fit in their requirements and how they are perceived in terms of motivational and compensational aspects.

According to the respondent A honesty and professionalism are the key factors contributing to an increased relationship value. The respondent A saw the Mediracer business model aspect of bringing the special health care services closer to patients in primary care quite challenging, as the primary care market is very hard to penetrate in their market area. However, they were still optimistic about their target market of small hospitals. The Mediracer revenue generation model, where each solution sale will generate regular revenue through the use of the systems and consumables, was perceived quite unrealistic. Their perception of change of value in their relationship with Mediracer was that due to poorly handled ending of the relationship destroyed the relationship in the end.

The respondent B saw that commitment and positive feeling of excitement brought in by mutual commitment in the relationship are key factors in increasing the relationship value. Their perception of the business model suitability is that by jointly solving and clarifying any problems and duties along the way will create a good opportunity in business expansion in their market area. The revenue generation model is seen as a good incentive to actively seek and

acquire new customers. The overall perception of change of value in their relationship with Mediracer has been changing along the way.

Relationship quality

The key factors contributing towards relationship quality the most, the respondent A listed as trust, honesty and reality, whereas personal relationships and developing the quality of it, as well as joint effort in problem solving were seen the most important factors by respondent B. With regards to establishing commitment in business partnerships, openness, honesty and integrity, as well as ‘doing what you say you will do’ were seen as the pivotal factors by respondent A. According to respondent B commitment is established by good personal relationships and through satisfying business transactions.

The respondents were asked to select the key determinants in relationship commitment building from a predetermined list, depicted in figure 15. The choices were: trust, communications, continuity, power, dependence, investments or other as an open answer. Both listed communications, along with trust, continuity, investments and honesty by respondent A.

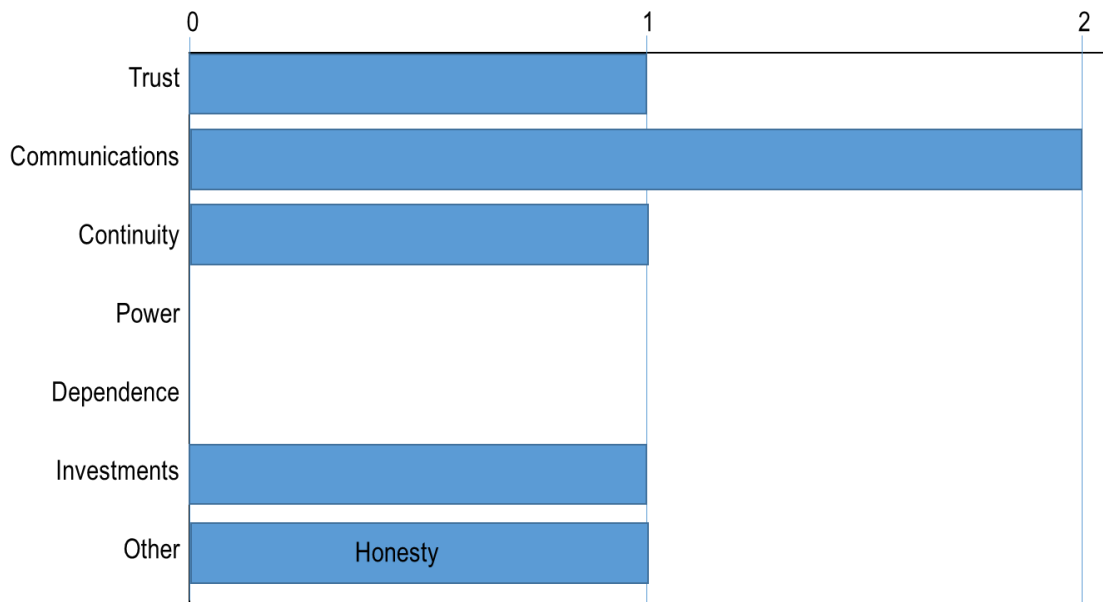


FIGURE 15. The commitment building determinants in business relationships. (Distributor interviews, 2015).

The respondent A saw the same determinants also contributing to trust building in business partnerships, while honesty and religion were the strongest determinants in respondent B's opinion.

Expert interviews

In order to get a broader perspective on the subject of seller-distributor business relationships, how they develop and how the value and quality are perceived, in addition to distributor point of view, it was important to see it also from the seller's perspective. This was made possible by interviewing two experts dealing with business relationship related tasks in their daily work.

The structure of the expert interviews contained the same themes as the distributor questionnaires, having more emphasis on the subject of commitment as its own theme. The interview consisted only of open questions.

General

Proventia Ltd deals with two customer segments, OEM and retrofit, with customers from the United Kingdom, Sweden, Denmark, Norway, Hong Kong, South Korea, Germany, Hungary, the United States and the Arab Emirates. The longevity of the relationships with their customers varies from very new to over ten years. Otometri Ltd customer base consists of consumer customers, distributors and the public sector in Finland. Pharmacies distribute Otometri's products but households can also buy directly from them. Otometri's customer relationship longevities range from one year to several years.

When asking the interviewees about customer relationships evolving into partnerships, Saari sees that time is a key factor. Time is included in every aspect of the formation of a partnership; execution of several projects, maturation of the customership, trust building, the ability to supply competitively and interpersonal relationships all contribute to the relationship development. As an example, Saari mentions one of their retrofit partners who solely wish to work with Proventia due to their proactivity and exceptional level of service. In this case the relationship evolved into partnership in approximately six months' time. Saari also points out that most of their

business relationships are supplier-seller relationships, with one partnerships with both OEM and retrofit customers. (Saari, interview 14.01.2015.)

According to Hannula, the partnerships are formed via joint integrated services where both parties are investing and share the risks with mutual understanding, benefits and goals. As an example of such service could be compositions of health care and technology services. Hannula points out that they seek to build and form partnerships with health care service providers, producing technology-enhanced health care processes. (Hannula, interview 09.01.2015.)

Relationship lifecycle

While the distributor interviewees were asked to describe the lifecycle phase their company is at the moment with regards to their relationship with Mediracer, and how this particular relationship has evolved throughout the different lifecycle phases, the expert interviewees portrayed the relationship lifecycle on more general level; how they see the overall concept of relationship lifecycle, what it entails and how partnership formation sits in the relationship lifecycle.

Hannula depicts the relationship lifecycle as a long-term process, rather than being sporadic “contact – deal – forget” episodes. Customer service and observing and looking after the customer is vital throughout the lifecycle. Exploring, getting to know each other, finding the mutual benefits, practical activities and sustaining the relationship are the critical phases of the relationship lifecycle. Trust and mutual interest are key constructs in sustaining a good and functional relationship, but sometimes relationships end due to changes in needs and demand, as well as business reasons. Concerning partnerships and how those are established, Hannula sees that the process of doing business together with joint experiences pave the road toward partnerships. (Hannula, interview 09.01.2015.)

Saari, likewise, sees the tending of the relationship very critical, as failing in that can ultimately lead to ending of the relationship. The relationship lifecycle, according to experiences in their business is illustrated in figure 16. (Saari, interview 14.01.2015.)



FIGURE 16. The customer relationship lifecycle (Saari, interview 14.01.2015).

According to Saari, face-to-face meetings are essential in order to keep and sustain a good and functional relationship. He also points out that annual customer satisfaction surveys are important as a measure from customers' point of view about the situation in the relationship. By Saari's experience long-term relationships may often automatically move toward partnerships, whereas strategic targeting of potential partner customers might be more beneficial and profitable way. When asked how ending of relationships should be managed, Saari emphasises stylish and non-arrogant manner, as an expired customership might still be an excellent reference thus maintaining good relationship all the way through is important. (Saari, interview 14.01.2015.)

Relationship value

The relationship value can be examined through the expectations of the relationship and how those expectations realise, from both monetary and non-monetary aspects.

According to Hannula the actual value can be measured according to the financial benefit the customer brings in currently, whereas there is also a future value with potential deals if things are done the right way and with careful planning. The relationship value can be increased by selling

more thus bringing more financial benefit. In addition to the monetary aspect, the relationship value can be examined through joint long-term objectives and intentions. (Hannula, interview 09.01.2015.)

In addition to the profit creation and potential monetary benefits, Saari also points out quality and contacts, as well as mapping the customer base finding the relationships that bring the most value for the company. (Saari, interview 14.01.2015.)

Relationship quality

When examining the factors contributing to the relationship quality, Hannula sees that all the different aspects of the customership, such as where the customer is from, why and how the relationship was established, customer's qualities and how the customer's needs and expectations are met through the relationship, define the relationship quality. Trust, being one of the key constructs in relationship quality, is built through good customer service, characteristics of the product or the service and the overall way of doing business with your partner. (Hannula, interview 09.01.2015.)

Interestingly, whereas the focal point of examining the relationship quality from Hannula's point of view is the entity of a customer, Saari sees that the customership maintenance and management with careful strategic planning contributes to an increased relationship quality. The element of trust in a relationship strengthens especially after the next step towards partnership is taken where constructs of time, openness, honesty and evidence play an important role. (Saari, interview 14.01.2015.)

Commitment

Commitment is, like trust, one of the key constructs in relationship quality and it reflects the desire to continue the business relationship. Commitment can be determined subjectively by multiple constructs. The interviewees were asked to explain why parties commit to each other and which determinants strengthen the commitment in a relationship.

Both Saari (interview 14.01.2015) and Hannula (interview 09.01.2015) see that need creates dependency and thus contributing to commitment. Saari also sees that a profitable customership, as well as good references and benefiting from the know-how of the other partner contribute to commitment. Saari sees trust, ability to cooperate and continuity as important parts of commitment building, whereas Hannula emphasises dependency and interaction.

5 CONCLUSION

The goal for this thesis was to find out how business relationships evolve from formal transactional relationships into long-lasting relational and productive relationship with shared risk-taking benefiting both parties. Also the key constructs of a business relationship onwards to partnerships were examined, with the focus on relationship lifecycle, relationship value and relationship quality. Commitment, one of the key constructs of relationship value, was examined in closer detail as it signifies the party's wish to stay in and continue the relationship. The research questions this thesis was set to find answers to were: "What are the main determinants in transforming business relationships into long-lasting partnerships?" and "How is commitment achieved in business-to-business relationships and partnerships?". On the whole, the theory part and the research study complimented each other very well with the interview results mirroring the existing theory.

For a company to expand their business in new markets, especially outside domestic borders, it is of great benefit and sometimes a necessity to cooperate and establish a business relationship with a local partner to gain and utilise the knowledge and knowhow, as well as networks from the market area. Business-to-business relationships can be very formal, transaction-based with low levels of trust, commitment, communications and interaction, or they can be highly relational and less formal where parties are highly committed to the relationship. These kinds of relationships are usually long-term and have high levels of trust and communications with strong interpersonal relationships.

The research results clearly indicated the importance of interpersonal relationships throughout the whole of the lifecycle of business relationships. Interpersonal relationships are formed through effective communications where face-to-face meetings are an essential factor. By getting to know the customer, on both personal and organisational level, as well as showing interest toward the other party in terms of being aware and learning about cultural differences creates trust and willingness to commit to the relationship. Mutuality in terms of common interests, joint investments, effective and reciprocal communications, shared responsibilities and problem solving was also seen essential in building and maintaining a business relationship.

When examining the relationship value, the difference in perspective from sellers and distributors point of view was seen quite clearly. Whereas the distributors emphasised soft and non-monetary aspects such as trust, honesty and commitment, the sellers had monetary aspects on top of the list in terms of financial benefits. It can only be assumed that reciprocally the soft values are also important to the seller as well as monetary aspects play an important part on the distributor side, even though this did not transpire from the interviews. These values and factors were, however, mentioned multiple times in other parts of the interviews.

Commitment was clearly seen as a factor that is established in a relationship over time, through communicating and interaction, interpersonal relationships, honesty and openness as well as dependency. The dependency was highlighted in the sellers' interview, where it was seen created by mutual needs in terms of products and services as well as knowledge and knowhow. It was obvious when interpreting the interview results that commitment indicates the desire to stay in the relationship and put effort in developing it further. If any hesitation exists towards the intentions of the other party, or if people do not communicate or personalities do not match hinders the commitment formation.

Even though time was pointed out as a crucial factor in partnership formation, it does not mean that only long-term relationships can mature into partnership or that all long-term relationships end up becoming partnerships. Finding the right partner candidates need careful and strategic evaluation and mapping to pinpoint the most valuable and beneficial customers for the company.

Mediracer is currently in a situation where they have existing distributor partners, however, most of them being stagnant and inactive. All of these business relationships have initially been established with an intention of cooperation and seen opportunities, but something has happened along the way that needs to be addressed. To revive these relationships need time and effort. The stagnant distributors should be systematically evaluated to see if the potential still exists. If the wish to continue the relationship is mutual, it needs to be rebuilt with actively communicating, meeting with the distributor and re-negotiating and agreeing the rules and responsibilities by means of revised contracts. All in all, this requires a coherent relationship management process that would help the company also when entering into new distributor relationships.

For Mediracer, being a micro company, it is challenging to actively look after and manage the customers and distributor partners when there is no dedicated people doing that but the current employees take care of everything. However, it is essential to put effort in it to create and maintain the bond that commits the parties to each other and ultimately makes the business growing and glowing. Mediracer should actively aim at partnership thinking in their business model and relationship management process, as that would secure a more beneficial and profitable business for them with more committed and active distributor partners. The distributors need to be convinced to see the benefits and opportunities for themselves as well as for their customers to invest both time and money to this business. The cooperation and interaction is essential as the distributors need constant support from Mediracer and reciprocally Mediracer need the distributors help and knowledge from the markets to be able to provide the end customers what they need.

6 DISCUSSION

The whole thesis process was very interesting and motivating and I felt very close to the topic as I was working for Mediracer both during and before the thesis work knowing the situation and the background quite well. Finding the topic was relatively easy, even though it changed a couple of times during the process. Mediracer has had a number of business partners, distributors, over the years, but a lot of information about the relationships has been left in the dark and not passed on inside the company. This was found to be an intriguing, yet bothersome matter, as while actively seeking for new market areas and distributing partners, it would be important to know what has happened in the past; why relationships have been established and why have they been ended, and why some market areas have not been successful. A clear indication was from the past that something in the relationship management has gone wrong and the company wanted to know what our business partners think and what they have experienced.

What I found the most challenging during the thesis process was the schedule and the use of time. I was working and doing the thesis at the same time, and constantly found myself in a situation where work was taking over and pushing the thesis work in the background. This is why the schedule was prolonged by a couple of months. However, despite the prolongation, I felt more time could have been used for the study part as the interview results were quite poor, at least in some extent due to tight scheduling.

Even though the results from the distributor interview questionnaire were not very satisfactory, combining the knowledge and information I already had gained by working with Mediracer and the received interview replies gave a good insight on what has happened in the past and what is required from Mediracer in the future. The original plan was only to conduct interviews amongst Mediracer's distributor partners, but as it became clear the sample would not be quite enough the decision of expanding the study with expert interviews was made. This was a good decision as it gave important insight from the sellers' perspective.

I feel that the process has helped me gaining a lot of new information about business relationships, business cultures and also academic work and time management. Even though my research has its limitations I hope the thesis helps the commissioner and others

by providing a deep understanding about the different aspects and factors that make business relationships work and develop.

I would like to thank my commissioners, Ms. Yoko Keränen and Mr. Pentti Manninen from Mediracer Ltd for the cooperation and support during this process. I would also like to thank my instructing lecturer Ms. Outi Sutinen for guiding me to stay focused with my subject, as well as my opponent, fellow student and a friend Ms. Salla Lamminpää for encouragement throughout the process. Not the least, I would like to thank David, Ellinora and Alvar for the support and love given during this thesis work.

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Ongoing B2B relationship between reseller and Mediracer Ltd

This questionnaire is an empirical part of a bachelor's thesis for Degree in International Business at Oulu University of Applied Sciences (Finland). With this questionnaire the seller-distributor business relationship (lifecycle, process, value and quality) is evaluated from the perspective of business partners of Mediracer Ltd.

General

1. How would you describe your way of co-operating with Mediracer?

- Formal Informal

2. What is the reason of being in this business relationship (expectation)?

3. How have your expectations of the relationship been met (outcome)?

4. What are the main challenges in this business relationship?

Relationship lifecycle

The definition of business relationship lifecycle can be based on various terminologies. In this context the lifecycle consists of 3 phases, establishing, enhancing and ending.

5. At which stage of business relationship life-cycle you are at the moment

- Establishing (start / build-up)
 Enhancing (development / maturity)
 Ending (decline / dismissal)

6. How does the depicted relationship lifecycle reflect your case? How would you describe the activities and progression of your relationship with Mediracer?

7. What is essential, in your opinion, to keep the business relationship successfully ongoing?

8. What factors could cause stagnation of business relationship?

9. By what means could a stagnated business relationship be revived, in your opinion?

Relationship value

The value proposition of a business relationship is determined by what expectations of each relationship a company can meet. The concept of relationship quality can contain both monetary and non-monetary aspects.

10. How well does the Mediracer business model fit the requirements of the healthcare sector in your market area?

In Mediracer business model the services of special health care are brought closer to patients in primary health care making the overall patient treatment path faster and bringing substantial cost savings in terms of sick leave absences and examination costs.

11. How attractive is the Mediracer revenue generation model for you?

With Mediracer the customership will, after the initial effort of the solution sale, generate regular revenue through use of the system, i.e. electrode and specialist's interpretation purchases. Example: a customer in Sweden purchased the solution in 2008 and since then they have done over 1300 examinations (disposable electrodes purchased).

12. In your opinion, what factors contribute to increased relationship value?

13. Has your perception of relationship value changed during the different stages of the relationship lifecycle (progression of the relationship)?

Relationship quality

Relationship quality is a central construct, yet a multi-dimensional and subjective concept, in the relationship. Commonly the relationship quality is seen through three dimensional structure of trust, commitment and satisfaction.

14. What are the factors, in your opinion, that contribute the most towards relationship quality?

15. How, in your opinion, is commitment established in business partnership ?

16. What are the determinants that build commitment in business relationship?

Continuity

Trust

Power

Dependence

Communications

Investments

Other

17. What contributes the most to trust building in business partnership?

Additional information

Please describe here any other ideas/concerns/thoughts about your experiences and knowledge about your relationship with Mediracer Ltd. or B2B relationships in general.

18. Additional information

Ended B2B relationship between reseller and Mediracer Ltd

This questionnaire is an empirical part of a bachelor's thesis for Degree in International Business at Oulu University of Applied Sciences (Finland). With this questionnaire the seller-distributor business relationship (lifecycle, process, value and quality) is evaluated from the perspective of business partners of Mediracer Ltd.

General

1. How would you describe your way of co-operating with Mediracer?

Formal Informal

2. What was the reason of entering the business relationship (expectation)?

3. How were your expectations of the relationship met (outcome)?

4. What were the main challenges in this business relationship?

Relationship value

The value proposition of a business relationship is determined by what expectations of each relationship a company can meet. The concept of relationship quality can contain both monetary and non-monetary aspects.

5. How well did the Mediracer business model fit the requirements of the healthcare sector in your market area?

In Mediracer business model the services of special health care are brought closer to patients in primary health care making the overall patient treatment path faster and bringing substantial cost savings in terms of sick leave absences and examination costs.

6. How attractive was the Mediracer revenue generation model for you?

With Mediracer the customership will, after the initial effort of the solution sale, generate regular revenue through use of the system, i.e. electrode and specialist's interpretation purchases. Example: a customer in Sweden purchased the solution in 2008 and since then they have done over 1300 examinations (disposable electrodes purchased).

7. In your opinion, what factors contribute to increased relationship value?

8. Did your perception of relationship value change during the different stages of the relationship lifecycle (progression of the relationship)?

Relationship lifecycle

The definition of business relationship lifecycle can be based on various terminologies. In this context the lifecycle consists of 3 phases, establishing, enhancing and ending.

9. At which stage of business relationship life-cycle you are at the moment

Establishing (start / build-up)

Enhancing (development / maturity)

Ending (decline / dismissal)

10. How would you describe the development and progression of the relationship throughout the relationship lifecycle?

11. Why did your relationship with Mediracer Ltd. end? What factors contributed to the dismissal of the relationship?

12. How was the dismissal of the relationship handled?

Formal or informal procedures? Was it mutually agreed and amicable? Etc.

13. Could you still consider reviving the business relationship with Mediracer Ltd.?

Relationship quality

Relationship quality is a central construct, yet a multi-dimensional and subjective concept, in the relationship. Commonly the relationship quality is seen through three dimensional struc-

ture of trust, commitment and satisfaction.

14. What are the factors, in your opinion, that contribute the most towards relationship quality?

15. How, in your opinion, is commitment established in business partnership?

16. What are the determinants that build commitment in business relationship?

Communications

Trust

Dependence

Power

Investments

Continuity

Other

17. What contributes the most to trust building in business partnership?

Additional information

Please describe here any other ideas/concerns/thoughts about your experiences and knowledge about your relationship with Mediracer Ltd. or B2B relationships in general.

18. Additional information

1. General about business-to-business relationships

- a) What kind of different types of business relationships does your company currently have?
- b) How long are the business relationships your company currently has?
- c) How do business relationships evolve into partnerships?
- d) Does your company have any existing partnerships with business partners?

2. The lifecycle of the customer relationship

Establishing, enhancing, ending / Awareness, Exploration, Expansion, Commitment, Dissolution.

- a) How would you define the customer relationship lifecycle?
- b) What happens at each stage of the lifecycle?
- c) How are business partnerships formed?
- d) What is required to maintain a good and functional business relationship?
- e) Why do business relationships end? How should the ending of relationship be handled?

3. The value of a business relationship

The expectations and realisation of the expectations of the business relationship.

- a) What determines the value of a business relationship?
- b) How can the relationship value be increased?

4. Relationship quality

Pivotal concept in B2B relationships, multi-dimensional and subjective, consists of multiple components.

- a) Which factors affect the quality of the business relationship?
- b) Which factors increase the trust in business relationships?

5. Commitment

The desire to continue the relationship. Trust, power, communications, investments, dependence, continuity etc.

- a) Which determinants strengthen the commitment in business relationships?
- b) What makes parties to commit to a relationship and to each other?