Managing business-to-business relationships under conditions of employee attrition: A transparency approach

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ABSTRACT

Client-contact employee attrition can negatively affect client-supplier relationships, a problem all the more obvious within the knowledge-intensive service industry in which the untimely loss of employees adversely affects client relationships. From the client's perspective, employee attrition increases uncertainty over the perceived quality of service and results in the loss of valuable tacit knowledge from the provider. Drawing on case study materials, this paper seeks to develop a framework for understanding how firms can successfully manage client relationships despite threats of employee attrition. This paper suggests that relationship transparency based on the active transfer of information, knowledge retention and sharing, the implementation of succession plans, and timely intervention by the management, can reduce clients' perceived uncertainty, thereby fortifying a trusted relationship with their provider. This study offers a transparency-based conceptual framework that contributes to the business-to-business relationship literature within the knowledge-intensive service industry and discusses managerial implications.

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1. Introduction

Developing, maintaining, and enhancing relationships with business customers has been a key area of research in marketing, particularly within knowledge-intensive service (henceforth KIS) industries (Athanassopoulou, 2006; Das & Kasturi Rangan, 2004; De Ruyter, Moorman, & Lemmink, 2001; Ekici, 2013; Kalwani & Narayandas, 1995). Research has shown that retaining customers is a less expensive and less time-consuming process than attracting new customers (Rosenberg & Czepiel, 1984). Furthermore, building intimate relationships with customers is crucial for creating customer loyalty and increasing profitability (Mattila, 2001). However, the relationship between customers and service providers is complex, as it is affected by various external and internal factors. Within a business-to-business (B2B) context, research has emphasized the role of client-facing employees (or contact employees) in building and maintaining long-term relationships between the two parties (Bendapudi & Leone, 2002; Madill, George, & Riding, 2007; Stanley, 1985; Zhang, Baxter, & Glynn, 2013). Client-contact employees are largely responsible not only for mapping customer requirements and for ensuring quality at the point of service delivery but also in service development processes (Chung & Schneider, 2002). Furthermore, the assumption that customers are involved in the production of the service as co-producers (Vargo & Lusch, 2006) presupposes a special interpersonal relationship between the parties. This intimate relationship can mean, in many

cases, that a firm's key contact employees can have a relationship with their clients that is stronger than the firm's relationship with those clients (Czepiel, 1990; Gwinner, Gremler, & Bitner, 1998; Lian & Laing, 2007). Thus, client-contact employee relationships with the firms they serve are considered an important means of building strong ties with their customers (Cravens, 1995; Dwyer, Schurr, & Sejo, 1987; Weitz & Bradford, 1999). Given the importance of client-facing employees, an untimely departure of these key employees will likely cause project delays and result in disruption, increased uncertainty, and costs to the client, thereby weakening or deteriorating the relationship between the parties (Bendapudi & Leone, 2002; Kumar, 2012; Lewin, 2009; Madill et al., 2007).

Despite the importance of this issue, relevant research remains scarce. Thus, little is known about how firms manage the adverse effects of the untimely loss of contact-employees on their client relationships. This issue is particularly important in the modern context, in which continuous changes in the technological and competitive landscape make it increasingly difficult for firms to keep their employees satisfied and willing to make a long-term commitment (Demirbag, Mellahib, Sahadeva, & Ellistonc, 2012; Horwitz, Heng, & Quazi, 2003). The study by Bendapudi and Leone (2002) is specifically concerned with personnel attrition in the B2B environment and proposes certain measures to mitigate the effects of personnel attrition, such as rotation of employees, advance notification of replacements, information sharing among employees, retaining and protecting the knowledge co-created during projects. Apart from Bendapudi and Leone's (2002) work, very little effort has been made to conceptually understand the dynamics of personnel attrition and its damaging effects on the trusted relationship

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between the parties. The limited body of research available is somewhat fragmented and tentative (e.g. Kumar, 2012), thereby providing little guidance to practitioners within KIS concerning how to proactively mitigate the threat of personnel attrition and maintain long-term relationships with clients.

In this paper, we suggest that, in times of personnel attrition, suppliers can adopt a transparency-based approach to address the challenge related to client-facing employees and maintain open and trust-based relationships with clients. To this end, we develop a framework based on the concept of transparency, which we then ground empirically using four cases of Indian firms operating within the KIS sector. The framework is developed in a dialogical interplay between theoretical pre-understandings and a close examination of how the chosen cases have deployed the strategies of transparency as they struggled with personnel attrition. We use these cases because they are "particularly revelatory" (Eisenhardt & Graebner, 2007: 27) and because a large number of Indian KIS firms have suffered (and continue to suffer) from high rates of personnel attrition (Demirbag et al., 2012; Jaggi, 2010; Nasscom, 2010, 2013). However, despite high attrition rates, several Indian KIS firms have addressed these issues effectively, as evidenced by their continued growth. How such firms manage the effects of their contact-employee attrition can be relevant to other firms facing similar challenges.

The present study contributes to the B2B relationship literature by providing a framework that helps suppliers manage major relationship threats posed by personnel attrition. Our assumption is that the concept of relationship transparency can be a remedy to personnel attrition's effects on clients and can preserve an open and trust-based relationship.

In the following section, the theoretical background and the rationale for the study are presented. Subsequently, a preliminary conceptual framework is developed. The research method is then discussed, followed by the presentation of case study material used as a basis for supporting and grounding our preliminary theoretical framework. Finally, the findings and related propositions are presented, and conclusions and implications are discussed.

2. Theoretical background

2.1. Role of contact-employees in client-provider relationships

The effect of an untimely loss of key customer-contact employees on client relationships in knowledge-intensive services is an issue that needs further attention from marketing researchers (Bendapudi & Leone, 2002; Kumar, 2012). Research shows that clients are a main source of innovative ideas for the service firm (Cooper & Kleinschmidt, 1986; Yoon & Lilien, 1988; Urban & von Hippel, 1988; von Hippel, 1988; Calantone, Benedetto, & Haggblom, 1995; Athanassopoulou, 2006: 89) because firms, through their client-facing personnel, can gain insights into the problems of clients and conceptualize new product or service development ideas (Hanna, Ayers, Ridnour, & Gordon, 1995). Moreover, the customer relationship management literature emphasizes that interaction with customers is a main source of market knowledge (Ashwin & Sharma, 2004; García-Murillo & Annabi, 2002). Furthermore, service development is an interactive, co-productive process between service providers and clients (Vargo & Lusch, 2006, 2008); therefore, developing a functional relationship with clients is a key requirement in any KIS business firm. To the extent that services can carry a host of meanings that are individually perceived by clients and service firms (cf. Martin, 1998), an intimate and interactive engagement between the parties can provide opportunities to develop common ground for interpreting meanings and values and can thus lead to a trust-based relationship (Dyer & Singh, 1998).

The literature on service marketing (e.g.Crosby & Stephens, 1987; Solomon, Surprenant, Czepiel, & Gutman, 1985) often emphasizes the importance of person-to-person encounters between client-contact employees of the service firm and the employees of the client firm in the process of service development and delivery (Goodwin & Radford, 1993; Jayawardhena, Souchon, Farrell, & Glanville, 2007; Lehtinen & Lehtinen, 1991; Mattsson, 1994; Mills, Chase, & Margulies, 1983). Such proximal encounters between persons can be viewed as a dynamic interaction process (Mattsson, 1994: 46) that can foster interpersonal relationships between the involved persons and create a form of social capital between them (Kale, Singh, & Perlmutter, 2000). Based on this common understanding between providers and clients, research suggests that, in the event of a crisis that might threaten the relationship, the close provider-client relationship can act as a moderating factor and provide the service firm an opportunity to redress the failure (Priluck, 2003). Thus, the relational advatnage generated through an interpersonal relationship can discourage the customer from switching to competing service providers and thus can be a source of competitive advantage for the service firm (Srivastava, Shervani, & Fahey, 1998).

The close relationship perceived by clients in a service relationship can also manifest in interpersonal attachments that can lead to repeated orders from clients (Butz & Goodstein, 1996). Thus, service firms can benefit from knowledge acquired by contact employees because they can use such knowledge to develop new capabilities useful for expanding their operations (Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Additionally, efforts by contact employees and relationships with prominent clients can provide service firms a type of legitimacy in the market, which can be useful in obtaining new clients (cf. Hitt et al., 2006: 1142).

Hence, value-creation in KIS firms is dependent upon the development and deployment of skilled contact employees (Hitt, Bierman, Shimizu, & Kochhar, 2001; Hitt et al., 2006; Lepak & Snell, 1999) who can deliver quality services to their customers, a capability that can constitute a competitive advantage for the firm (Løwendahl, 2000). When these important members leave the organization, a significant amount of relational and knowledge capital vital for serving the client and thus maintaining a sustainable relationship is lost (Bendapudi & Leone, 2002; Kumar, 2012; Parker & Skitmore, 2005). Replacement might not be easy because newly recruited employees would require going through a long training and socialization process before they are able to make any significant contributions to a client project. Thus, it can be inferred that employee attrition presents a serious threat to the survival and growth of KIS firms, an issue that requires further research attention (Bendapudi & Leone, 2002; Kumar, 2012). For instance, Bendapudi and Leone's (2002) work is very insightful concerning measures to mitigate the effects of personnel departure. Therefore, the present study contributes to this scholarship by invoking the concept of transparency as a means of reducing the issue of asymmetry of information that can ensue from client uncertainty.

Although a very important issue for the competitive sustenance of these firms and their clients' businesses, extant research in this area is scarce. In this study, we integrate ideas from the customer relationship management and knowledge management literature to suggest a transparency-based framework for understanding the strategies that Indian KIS firms have adopted as they struggle with personnel attrition.

2.2. Theoretical framework for managing relationships through transparency

Following Uzzi (1997), we assume that relationships can involve three key elements: "trust", "information sharing", and "joint problem solving" (p. 42). These elements affect one another. Trust can lead to significant information sharing between partners, which can enable the parties to solve problems jointly (Uzzi, 1997). By 'trust', we mean a "belief or confidence in the other party's goodwill or benevolence", a situation in which both parties show an intention to look after one another's interests, demonstrating that their actions are not purely guided by their own profit motives (e.g., Barney & Hansen, 1994; Mayer, Davis, & Schoorman, 1995; Hosmer, 1995; Doney & Cannon, 1997; Viitaharju & Lähdesmäki, 2012: 569). The level of trust and information sharing between partners is affected by the intensity and