Industrial Marketing Management xxx (2015) xxx–xxx

Contents lists available at ScienceDirect

Industrial Marketing Management

Emerging relationships: How are they born?

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ARTICLE INFO

Article history:
Received 30 October 2014
Received in revised form 4 May 2015
Accepted 17 May 2015
Available online xxxx

Keywords:
Trust
Whole bonding trust
Business Relationship Emerging Flow
Approaching process

ABSTRACT

During the last thirty years, IMP researchers have greatly improved our understanding of business relationships. However, the question of how a business relationship emerges has only aroused a small amount of interest. To bridge this gap, this paper tackles the subject of the 'birth' of business relationships. It sets out to contribute to our understanding of a relevant phenomenon – the initiation of business relationships – by building a conceptual framework.

Relationship Emerging Flow, the conceptual framework used in this paper, is based on an analysis of the IMP and relationship marketing approaches to relationship stages, the relationship-forming literature of inter-organizational relationship studies and the related part of trust literature. It is also nurtured by case study-based empirical evidence. The conceptual framework deals with both the individual and organizational levels and includes consideration of trigger issues and the existence of different trust building scenarios in whole bonding trust.

The emergence of a new business relationship is a result of a complex interactive process. In this paper we examine only the first stage: the birth of a new relationship. This spans the period from a starting situation in which potential partners have no knowledge of each other to the creation of the conditions for building a relationship. Trigger issues are important factors in the parties' awareness and initiation. Interaction processes, moderated by trust-building scenarios, create the conditions that allow actors to keep on building relationships.

To illustrate the different steps of this flow and to identify the trigger issues we supply examples of various emerging business relationships at a large Hungarian industrial firm called Videoton.

In addition to the construction of the Relationship Emerging Framework the novelty of our approach is that, unlike the vast majority of research on trust, we study the period of bonding trust that leads to the relationship rather than that which already exists in a relationship.

1. Introduction

Over more than three decades IMP researchers have made a great contribution to the knowledge which exists about business relationships, partly by developing the Interaction Model (Håkansson, 1982) and the evolution of relationships model (Ford, 1980). They have also deeply analyzed the management of business relationships (Ford et al., 1998). Interestingly, the question of how a business relationship emerges has only received a small amount of interest. In a seminal article, Ford (1980) analyzes the pre-relationship stage from the point of view of the buyer, focusing on the main causes and drivers and examining why the buyer becomes ready to look for or to accept a new potential supplier. But his paper "is less concerned with the reasons for the choice of buyer or seller partners (although this is acknowledged as a question of considerable importance!" (Ford, 1980:341)).

The research questions in this article are designed to guide the investigation into the emerging process of a new business relationship. How is a business relationship born? How do two previously unknown-to-each-other potential partners start to interact in the hope of making a future business exchange? Knowing that "relationships can fail to develop or regress depending upon the actions of either party or of competing buyers or sellers" (Ford, 1980:341), this paper presents some tentative answers to these questions.

It is evident that, even in a new business relationship, trust plays a certain role (Wilson, 1995). As trust is a dynamic phenomenon with three phases (Rousseau, Sitkin, Burt, & Camerer, 1998) of which building is the first, our focus is on trust-building during the emergence of business relationships. In sum, in this paper we focus on the birth of business relationships.

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http://dx.doi.org/10.1016/j.indmarman.2015.05.031
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The paper is organized as follows: firstly, a short theoretical part deals with relevant issues such as the role of trust and the interaction process. Secondly, business relationship emerging flow, a new conceptual framework for the birth of business relationships, is developed. After a short methodological section, a case study is presented to illustrate these theoretical propositions. The paper ends by presenting conclusions and suggesting some avenues for future research.

2. Theoretical foundations

As our primary interest is the birth of a new relationship, from this special perspective we firstly analyze business relationship development models that are based on different theoretical foundations (IMP research, relationship marketing, strategy and organizational theory). Applying the concepts that arise from this analysis, we study the process by which partners emerge and begin the process of mutually building a relationship. The topic of trust and trust building is dealt with in brief with a focus only on literature that concerns trust formation. The concept of 'whole bonding trust' is developed at the end of this section.

A *business relationship* is an interactive exchange relationship between two organizations. An exchange relationship, which always has economic and social elements, in fact links activities, resources and actors (Håkansson & Snehota, 1995). Typically, relatively small numbers of individuals are involved in a business relationship: not the whole organization, but two smaller groups of people; 'the buying centre' (Webster & Wind, 1972) and 'the selling center' (Bonoma & Johnston, 1978) are engaged in interaction. Accordingly, within the buyer–seller relationship we can differentiate four participants: 1) the buyer organization; 2) the individuals representing the buyer organization in the relationship with the seller; 3) the selling organization; and, 4) the individuals who represent the selling organization – salespeople and others. Consequently, actor bonds (Håkansson & Snehota, 1995) generally have two dimensions: connections at an organizational level and connections at an individual level, as indicated by the Interaction Model (Håkansson, 1982).

2.1. Business relationship development models

Business relationship development literature considers the development of buyer–seller relationships as a time-bound process with several stages. These models generally describe relationships at the inter-organizational level.

Ford (1980) differentiates five, non-sequential stages. In the pre-relationship stage (the first stage) the partners are not yet in contact; the situation concerns the evaluation of a new potential supplier. The second stage (the early stage) concerns the negotiation of a sample delivery. A signed contract or a build-up of deliveries characterizes the third stage (the development stage). After several major purchases or large scale deliveries the relationship reaches its fourth stage: the long-term stage. The fifth, final stage occurs with long-established stable markets (Ford, 1980).

Dwyer, Schurr, and Oh (1987) describe the relationship development process using a four-step model. Awareness, exploration, expansion and commitment are the four phases. Awareness concerns the "unilateral considerations of potential partners" (Dwyer et al., 1987:21). Dyadic interaction occurs during the second phase. Expansion is characterized by mutual satisfaction. In the commitment phase "shared values and governance structures support joint investment in relation" (Dwyer et al., 1987:21).

Wilson (1995) identifies five stages of relationship development: partner selection, defining purpose, setting relationship boundaries, creating relationship value and relationship maintenance. He integrates 13 relationship variables into his model and explains their roles according to the different stages. Social bonds, mutual goals, reputation, performance satisfaction and trust are the variables employed at the partner search and selection stage.

Larson (1992)'s process model has three phases. Defining the preconditions for exchange comprises the first phase. The second phase involves specifying the conditions for building the relationship, while the third relates to integration and control. In her model, personal reputation, preexisting relationships between connected people and firm reputations are the historical preconditions for the formation of new business relationships.

At an interpersonal level Levinger (1980) and Huston and Levinger (1978) undertook a longitudinal analysis of partner relationships. Rooted in family sociology, Levinger (1980) proposes a five-phase sequence of long-term pair processes which extends from initial attraction to building a relationship, continuation, deterioration, and ending. He considers the transitions between adjacent phases. What is interesting in his model is that, after relationship building, there exists a variety of scenarios for arriving at an ending. Table 1 presents a summary of these models.

Since these models represent different scientific fields of inquiry (e.g. marketing, management, sociology and social psychology) and concepts, the characterization of the different stages certainly cannot be compared. Both inter-personal and inter-organizational relationships are examined in this research. Despite the heterogeneity of the studies it is important to note that almost the same expressions appear in these very different approaches to relationship development (e.g. 'similarity', 'dependency', 'trust', and 'commitment').

2.2. Focus of the paper: the birth of business relationships

In our paper we focus on the birth of business relationships. For this purpose we analyze the first stages of these different models. They do not deal directly with the birth of the relationship but the concepts and the processes they describe provide a good foundation for our work. It is also advantageous that these models are based on different theoretical bases, thus their analyses broaden our view.

We consider trust to be a necessary component in the relationship-building process since we accept the general statement of Simmel (1950 *cited* in Lane, 2002:10), that: "society is made up by relations of social exchange, and exchange would not be possible without trust", and we consider that trust is a social element in a business relationship (Morgan & Hunt, 1994). Neither in the literature of relationship stages nor in the literature of trust that we examined did we encounter consensus about at which stage trust first appears. For example, in Larson (1992) trust is one of the conditions for building (the second stage of the relationship). "While some theorists claim that trust cannot be intentionally created but it is emergent, others hold the opposite opinion." (Lane, 2002:21). In Ford (1980), trust first appears at the Development Stage, since it requires experience prior to its emergence. Based on the multi-disciplinary approach of Rousseau et al. (1998), in our paper we consider trust to be a moderating variable which can help and facilitate partners' actions and decision making.

In the literature trust which requires prior experience and which appears in a pre-established relationship is examined and calculated quantitatively (e.g. Sako, 1992) and generally called as measured trust. In this paper we focus on emerging relationships and the antecedents of measured trust which we call non-measured trust or perceived trust (Mayer, Davis, & Schoorman, 1995). Hence, in the description of our theoretical foundation which follows we introduce only literature on trust formation and not literature about trust as a whole.

2.3. The birth of relationships in the mirror of stage models

Based on the synthesis of the five models we have the following picture. The first stage in most models is characterized by its assumption of a lack of pre-existing business exchanges between future partners. The only exception is provided by Wilson (1995), who restructured in his model's first stage the awareness and the exploration stages of Dwyer et al. (1987). Generally, partners begin to recognize the other participant and to turn towards each other but most of their actions remain

Please cite this article as: Mandják, T., et al., Emerging relationships: How are they born? *Industrial Marketing Management* (2015), http://dx.doi.org/10.1016/j.indmarman.2015.05.031