The deterioration of a business relationship—
Typological approach of the customers’ reaction

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Abstract

Inter-organisational relationships are sometimes subject to degradation. When incidents arise, and relationship attractiveness decreases, its evolution becomes uncertain. Adopting the supplier perspective, and starting from the idea that the outcome of the degradation process is mainly determined by customers’ reactions, this paper aims to develop a framework helping managers to understand those reactions. We propose that customers’ reactions vary as a function of the nature of the business relationship and the customer commitment when degradation begins. Based on a qualitative case study, a typology of business relationships is presented and it explains the specific reaction that each type of customer is likely to adopt.

Keywords: buyer-supplier relationship typology, commitment, degradation, EVLN model.

Topic: Purchasing & Supply Strategies
Introduction

In a complex and turbulent environment, business relationships are often subject to random factors, or even incidents, in particular within the supply chains. When they occur, all is not frozen but the business relationship is slightly changed; it deteriorates and its outcome is uncertain (Vidal, 2009). The theme of deterioration is rarely studied in literature, as it is often focalised on extreme situations: on the one hand, on durable relationships based on mutual satisfaction, linked in particular to a reciprocal attraction; on the other hand, on breakdowns linked to obvious conflicts between partners (Vaaland et al., 2004; Ellis, 2006; Yang et al., 2012; Aminoff & Tanskanen, 2013). However, the interactions between supply chain members are often linked between these two poles and the business relationships often go through a period of weakening that can be fatal. Therefore, it would be appropriate to lead new research on deterioration. The improvement of knowledge in this field would help managers detect the business relationships that are threatened and to anticipate the continuity of the deterioration process. This would make the establishment of measures aiming at preserving deteriorating business relationships easier and prevent the breakdown with customers the company wishes to retain.

Different approaches can be considered to contribute to a better understanding of the deterioration phenomenon. It would be useful, for example, to focus on the trigger of the deterioration process by studying its causes and looking for the signs indicating the beginning of the deterioration: does the deterioration come from a mutual lack of understanding regarding the compliance of supply conditions, or is it a more profound result of a one-shot opportunistic attitude of a supply chain member that alters the climate of trust? It would also be enlightening to define the diversity of reactions the customers are likely to adopt once the deterioration has started: is a constructive dialogue retained to find a solution to the cause of the deterioration, or do we witness the rapid establishment of retaliation measures? This would allow the supplier to treat its customers in a differentiated manner and help prepare an answer that would take into account the specificity of their expectations, when they are confronted with the deterioration of a business relationship.

It is the latter approach that is retained here. The objective is to offer an analysis grid in order to guide the managers’ reflection and help them anticipate the different reactions of the customers when a business relationship is deteriorating. We will attempt to show that the nature of the business relationship that unites the customer to their supplier, and the commitment that is implied, enables to understand how the customers’ reactions are different (Kim et al., 2011). Our analysis is based on the results of a field survey conducted with customers of a large French industrial company. The context taken into account is the one of BtoB exchanges and the point of view adopted is the supplier’s that tries to prevent customer loss resulting from a deterioration of the business relationship. The article’s structure is as follows. A first part defines the concept of deterioration, then proposes a typology of business relationships and types of deteriorations. A second part studies the customers’ reactions to each type of business relationship.

1. The deterioration of business relationships and its different shapes

In order to understand how the customers’ reactions differentiate, it is important to start by defining the deterioration process and detect the different shapes it can take. During the 1980s and 1990s, many studies of BtoB marketing, in particular those of the IMP group, have shown that the exchanges between companies frequently give rise to the establishment of genuine
relationships between customers and suppliers (Ford, 1980; Håkansson & Snehota, 1995; Cousins, 2002; Gopalakrishna Pillai & Sharma, 2003). When this relationship is established, both parties pursue common objectives and adopt a long-term view. The business relationship that unites them “consists in mutual interactions between two reciprocally committed parties… This commitment creates an interdependence that can be positive or negative for the parties concerned” (Håkansson & Snehota, 1995:25). How, in such a climate of interaction, facilitated by the presence of interpersonal links, can a business relationship deteriorate, to the extent of threatening collaboration? The question is essential but remains rarely addressed, as reflected in Havila & Tähtinen’s (2011) meta-analysis which shows less than 50 articles on the subject until the end of 2010.

1.1. Between breakdown and restoration of the business relationship

Business relationships are never eternal. Even when they are built to be durable, academicians have studied the breakdown and the phenomena related, such as the dissolution and the disengagement (Baxter, 1983; Beloucif et al., 2006; Purinton et al., 2007; Gedeon et al., 2009; Lopes et al., 2011). The notion of breakdown refers to the final step of the life cycle of a business relationship (Reinartz et al., 2004). It designates the operations that put an end to the business relationship, breaking the links remaining between the two parties, for example between two supply chain members (a large retailer and a logistics service provider). The notion of dissolution relates to the process that leads to the breakdown and reaches a climax. The dissolution embraces the entire steps underwent in a deterioration business relationship before it is broken. Finally, the concept of disengagement was used to study the communication strategies, explicit or implicit, that the breakdown initiator implements to manage to extricate itself out of the business relationship (Baxter, 1983).

Continuous relationship vs. breakdown: the two phenomena constitute important references but correspond to extreme situations. The flow of exchange between the partners is marked with vicissitudes –ups and downs– that these two notions do not apprehend and that is important to examine. The notion of deterioration refers to these vicissitudes and shows a progressive weakening which affects the relationship between the customer and the supplier at certain moments. The deterioration corresponds to the first steps of the dissolution process studied by authors such as Halinen & Tähtinen (2002), which should not be mistaken with the dissolution that covers a larger field and is part of an issue focusing on the breakdown. The deterioration must not be approached with a determinist perspective, with the breakdown as sole outlook. In other words, it should not be seen as the progressive extinction of sorry business relationships bound to disappear. The deterioration applies also to healthy business relationships in which connections, somewhat strong, but non negligible, unite both parties, each being committed to the other. Therefore, deterioration defines a negative process that shows through a weakening of connections without a fixed outcome: the business relationship tends to be questioned, but is not always doomed. The deterioration can lead to a breakdown, but it can also cause reactions leading to the restoration of links that have started to crumble.

The deterioration of the business relationship starts with a negative event, the trigger. It affects one of the two parties and is perceived as likely to call into question the business relationship. Sometimes the supplier can be hit. This happens when the inspection of orders shows that a customer is no longer profitable or when the management costs of the business relationship with a customer is too expensive, for example, further to an excessive assistance. However, it is usually the customer that is affected by the incident at the root of the deterioration (Helm, 2004); we will base ourselves on this case of figure. For the customer, the trigger can be caused by the carelessness of a supplier or a payment incident; it can also be linked to the appearance of opportunity costs with the arrival of new competitive suppliers. The
trigger corresponds to any incident in the exchanges or any external event leading the customer to question the value of the business relationship that is likely to change its commitment to it. These incidents or events do not have an effect in a mechanical manner. They are interpreted, as Halinen & Tähtinen (2002) underline, and set off the deterioration process only when the customer sees the signs that the business relationship seems to lose some of its appeal or interest.

The deterioration initiates when the trigger does not only give rise to a technical process of problem resolution, but leads the customer to question the pursuit of the business relationship, as it observes, for example, an incoherence in a partner’s behaviour (Wang et al., 2010). The customer begins by analysing the difficulties caused by the trigger and examines what would help to rectify them. It studies the different possible options by taking into account what would be obtained by working with another supplier. This is a first type of detachment by the customer, with a beginning, somewhat strong, of moral detachment that shows the start of the deterioration. The customer then defines a course of action in order to resolve the problem it is confronted with. It adopts an initial reaction, and then modifies it –if necessary– depending on the supplier’s attitude. The supplier that wishes to preserve the business relationship with its customer must restore the connections that have started to crumble at the beginning of the deterioration. In order to pursue this path, the different types of deterioration must be detected. The different types of reactions that the customers are likely to adopt after the appearance of the trigger, should then be analysed.

1.2. A business relationship typology and forms of deterioration

Research developed in social psychology, then transposed to business relationships (Bendapudi & Berry, 1997), indicates that an actor maintains a business relationship because it wishes or because it seems necessary and obvious. These two motivations, which can be combined, correspond to two distinct forms of commitment, affective and calculative. Commitment is, in a rather consensual manner, defined as the intention to continue a business relationship (Anderson & Weitz, 1989), in particular because it leads to a high level of satisfaction (Ghijsen et al., 2010). The contribution of Palmatier et al. (2013) has recently introduced the construct of commitment velocity (direction of change in commitment), by trying to evaluate its impact in driving performance. It is often admitted that commitment shows different forms as it is based on various motivations. Following this approach, we will begin by defining the two usual forms of commitment that stand out in literature, the first one is based on emotions and the other is based on an economic calculation. We will then see that the combination of these two forms of commitment enable to establish a typology of business relationships that is useful for the study of the deterioration process.

- Affective commitment and calculative commitment

  Affective commitment refers to the emotional and social aspects of the business relationships. It can be defined as a psychological attachment based on a sense of unity linking a customer to its supplier (Kim & Frazier, 1997). An affectively engaged customer “desires to continue its relationship because it likes the partner” (Geyskens et al., 1996:304). This type of commitment is rooted in emotional connections that are established between certain members of a purchasing group and their usual interlocutor within the supplier; it can take the shape of an irresistible mutual attraction (Aminoff & Tanskanen, 2013). Affective commitment opens up in business relationships that have a high level of trust and is confirmed when, on both sides, individuals share the same values and refer to common objectives. When the main members of a purchasing group enjoy working with their counterpart within the supplier and appreciate the quality of the
relationship they maintain, we can consider that globally the customer is affectively engaged to its partner (Stanko et al., 2007).

Calculative commitment is based on an instrumental and utilitarian approach centred on the economical dimension of the exchange. It results from the costs/benefits ratio determined by the purchasing managers and represents the degree to which the customer “perceives the need to maintain a relationship given the significant anticipated termination or switching costs associated with leaving” (Geyskens et al., 1996:304). When the calculative component prevails, the protection of the business relationship is essentially accounted for on the level of dependency of the company in its partner. Dependency is higher when the benefits of the business relationship are important and the barriers to exit are numerous (difficulties to find advantageous alternatives, need to make new investments, etc.). The reasoning can therefore be widened to the customer that willingly places its supplier in a dependent situation, and that tries to capture durable benefits from the business relationship. Scheer (2012) took the example of Walmart in the USA that develops a simple calculative commitment with small regional suppliers. Indeed, they need a large retailer to survive, and Walmart has therefore little need to trust in order to guaranty its supply.

A typology of business relationships
By mixing the two types of commitment (affective and calculative), and by distinguishing for each of them two states (significant presence and absence or negligible level), we obtain a matrix with which we can categorise the different business relationships that a supplier is likely to maintain with its customers (see Fig. 1). In this matrix, the vertical axis corresponds to affective commitment and the horizontal axis to calculative commitment:

- The vertical axis looks at whether the customer has the desire to continue to work with its partner. This can be evaluated qualitatively over time and by examining the exterior signs indicating the way the customer perceives the quality of the business relationship (social satisfaction, trust, etc.). Attention must be called to the climate of the exchanges: emotional links or indifference, or even hostility, showed by technicians and the purchasers towards the supplier’s representatives.

- The horizontal axis looks at whether the customer’s economic evaluation necessitates —or not— maintaining the business relationship. This can be estimated by taking into account the different factors that can place a customer in a dependent situation: importance of switching costs, amount of agreed mutual investments, the supplier’s competitiveness degree, extent and value of alternatives offered on the market, etc. When dependency is strong, certain business relationships can persist despite dissatisfaction (Yanamandram & White, 2012).

Figure 1: A typology of business relationships
The matrix shows three types of customers maintaining a more or less strong business relationship, and which stands out through the form of their commitment (pillars, prospects and the hostages). The last category, the free riders, constitutes a contrast because of the absence of a genuine will to build a business relationship. This is the case of powerful shippers that, within a supply chain, put hundreds of small carriers in competition in order to systematically obtain the lowest price (Paché, 1996). Here is a description of each customer’s profile:

- **Pillars.** The customers positioned in the upper right quadrant wish to remain loyal to their partner as they are satisfied, and are affectively attached to it. The stability of exchanges is also reinforced by exit barriers (importance of advantages obtained, lack of alternatives, etc.). These customers can be qualified as pillars as it is with them that the supplier has the most solid relationships.

- **Prospects.** For these customers, the quality of the business relationship is good, but there are few economic constraints or barriers likely to retain them. If the business relationship were to deteriorate, they would break up faster than the pillars, as they are free to leave. The business relationship with the suppliers remains positive and promising but relatively fragile.

- **Hostages.** These customers have developed a business relationship with the supplier, but its quality is bad and they do not intend to develop it. The relationship is maintained as they benefit from it and have better solutions in sight. They are placed in a situation of dependency; they become the supplier’s hostages.

- **Free riders.** Nothing retains these customers: they are used to changing the source of supply and maintain no durable business relationship with the supplier. However, they constitute a useful reference to the deterioration analysis, because the supplier must remain watchful that its other customers do not transform into free riders, by abandoning all type of commitment.

- The different forms of deterioration

Deterioration can affect each of the two components of the commitment that underlie a business relationship. It takes on two forms. Deterioration of the *affective component* appears when the trigger has the effect of reducing the customer’s attachment to its partner. This happens when the trigger damages the quality of the business relationship and diminishes the trust placed in the supplier. Tensions appear and positive emotions disappear slowly from interpersonal exchanges; negative feelings, such as disappointment, bitterness or resentment, start to show (Reid et al., 2004; Tähtinen & Blois, 2010). Deterioration of the *calculative component* develops when the trigger provokes a deterioration of the customer’s costs/benefits ratio and a decrease in its dependency.

The distinction between these two forms of deterioration allows the classification of the trigger elements depending on their impact on the customer’s commitment. Although these two elements are not absolutely independent and may, in a dynamic perspective, reinforce each other through a cumulative effect, it appears that most triggers can be mainly associated with one of the two deterioration forms (see Table 1). The emergence of interpersonal conflicts, the violation of a relational norm by the supplier, such as the sharing of information, or even retaliation behaviours (Vidal, 2014), will rather impact the affective component. On the other hand, the additional costs provoked by a delivery incident or the decrease of exit barriers will tend mainly to reduce the calculative component of the customer’s commitment. However, the influence of the trigger element depends on the customer’s interpretation (Halinen & Tähtinen, 2002).
Table 1: Classification of trigger elements according to their impact on the customer’s commitment

<table>
<thead>
<tr>
<th>Nature of the trigger element</th>
<th>Trigger element affecting the affective component</th>
<th>Trigger element affecting the calculative component</th>
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<tr>
<td></td>
<td>Incidents that decrease the quality of the business relationship perceived by the customer and its affective attachment to its partner</td>
<td>Incidents that decrease the customer’s costs/benefits ratio and events that limit its dependency</td>
</tr>
<tr>
<td>Examples</td>
<td>Supplier’s lack of cooperation, neglecting or unfair treatment</td>
<td>Delay in delivery or incident related to the quality of the product</td>
</tr>
<tr>
<td></td>
<td>Violation of the relational norms (exchange of information, restraint of power, etc.)</td>
<td>Delay in payment and other financial incidents</td>
</tr>
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<td></td>
<td>Interpersonal conflicts</td>
<td>Decrease of supplier switching costs</td>
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<td></td>
<td>Turnover of interface staff supporting the business relationship</td>
<td>Appearance of more new attractive supply sources</td>
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The fact of distinguishing different forms of deterioration also allows refining the analysis by showing that the three types of business relationships are not exposed in the same manner to the deterioration. The pillars are defined by the combination of strong affective and calculative commitments. The business relationships that the supplier maintains with the pillars are therefore likely to be affected by the two types of deterioration. The only reason why the prospects willingly protect the business relationship is because they appreciate its quality and like to work with the supplier. Hence, these business relationships are only threatened by a deterioration of the affective component of the customer’s commitment. The instrumental component can lessen, but by definition it is already sufficiently weak for the prospects to leave freely. A decrease of this component cannot modify the position of this type of customer within the matrix. Finally, this also applies to the hostages. These customers maintain the business relationship only because the economic calculation is required; this business relationship is threatened only by a deterioration of the instrumental component of their commitment.

2. Customers’ reactions within the deterioration process

As deterioration of business relationships takes on many forms, it is important to define the customers’ reactions in each case, and then detect the main possible evolutions. The Exit, Voice, Loyalty, Neglect (EVLN) model (Rusbult et al., 1982), provides an instructive reading grid to analyse the behaviour that customers adopt when the business relationship deteriorates. After having briefly presented the theoretical basis of this model, we will show that the customers’ initial reactions facing a relational incident vary depending on their commitment in the business relationship.

2.1. Responses to dissatisfaction based on the EVLN model

The EVLN model was proposed by Rusbult et al. (1982) based on Hirschman’s (1970) seminal work. According to these authors, the responses provoked by dissatisfaction must be approached by referring to two axes whose combination defines a matrix (see Fig. 2). The vertical axis distinguishes the constructive reactions that attempt to preserve the business relationship and those aiming at ending it, the destructive reactions. The horizontal axis confronts the active reactions that take on an explicit and behavioural form, and the passive reactions that are implicit and non-behavioural.
The constructive reactions: loyalty and voice

The definition of loyalty gave rise to debates. There are two opposite understandings. For some authors, such as Hirschman (1970), loyalty is a simple attitude that translates a special attachment vis-à-vis a partner and tends to promote voice rather than exit (Laver, 1976). Other scholars, more numerous, consider that loyalty constitutes a specific form of response (Rusbult et al., 1982; Withey & Cooper, 1989). This understanding, that we will retain here, predominates in the recent research. With this approach, loyalty, paradoxically, is characterised by an absence of reaction. The loyal customer is watchful but tends to remain silent. It waits for the supplier to bring a solution to the problem that started to deteriorate the business relationship. This is constructive because the customer is convinced that its partner will resolve the problem. Its attitude, both passive and constructive, translates its willingness to give priority to the preservation of the business relationship.

When resorting to voice, the customer does not temporise; it attempts to make the problem disappear by speaking and turning to its supplier. This reaction is constructive as it is focused on the research of solutions and by doing so contributes to the preservation of the business relationship. By voicing, the customer gives the supplier the necessary indications to correct the problem that tends to deteriorate the business relationship. As Trawick & Swan (1981) indicated in their seminal work, the goal of voicing is indeed to turn the business experience from dissatisfactory to satisfactory. Furthermore, the customer does not always settle for calling out to its partner; it can, in certain cases, participate in the research of a solution by acting together, hand in hand. All this, gives the voice an outstandingly active character, especially as the voice-based strategy demands a high degree of administrative coordination between the buyer and the supplier and, consequently, a strong mutual commitment (Helper, 1991).

The destructive reactions: neglect and exit

Neglect is a destructive reaction as it leads the partner adopting it to turn away from the business relationship. It is also based on passivity. The neglecting customer is tempted to change its supplier, but does not take action, as it does not have a consistent alternative. It keeps the same source of supply, for want of anything better. By doing so, it progressively ceases to pay attention to the business relationship and lets it deteriorate. The trade and logistical flows are disrupted, but the business relationship tends to limit itself to a series of faintly personalised exchanges, with limited interactions (Ping, 1993; Gopalakrishna Pillai & Sharma, 2003). For some customers, passivity towards the partner does not exclude the preparation of the
breakdown. Neglect corresponds then to a latency period during which the customer tries to increase its freedom of action in order to, eventually, switch supplier.

Exit, for its part, is a behaviour based on avoidance and flight, which leads to a relationship breakdown. Laborit’s (1977) studies in neurobiology reaffirm this idea of irremovable flight when the individual is confronted with a personal or professional relationship that generates a high level of stress. In the case of business relationships, a dissatisfied customer will decide to leave and appeal to the market in order to change the source of supply (Ping, 1999). This exit behaviour is all the more easier to lead as that credible and efficient alternatives will have been identified by the disengager (Zang et al., 2006; Polo Redondo & Cambra Fierro, 2007). Defined in this manner, exit is both destructive (it puts an end to a business relationship) and active (it is based on the energetic research of a replacement solution). In all cases, to minimise the impacts of exit for the disengager, adapted communication strategies should be implemented (Alajoutsijärvi et al., 2000).

2.2. Impact of commitment on the customers’ reactions

By analysing the customer’s commitment, we can establish a link between the responses to dissatisfaction described in the EVLN model and the typology of business relationships defined previously. The nature of the customer’s commitment enables to determine the more or less constructive character of its reaction and its degree of implication in the resolution of the problem that set off the deterioration process (will the customer be active or passive in attempting to resolve this problem?). As Giller & Mattear (2001:107) underline in their in-depth case studies, “the bonds that characterise a relationship prior to termination impact on both the decision to terminate and the termination strategy employed”. Based on the two dimensions of commitment, we suggest a reading grid enabling the analysis of the initial reaction each type of customer tends to adopt when the business relationship with its supplier starts to deteriorate. By combining the two dimensions of commitment, a matrix is obtained enabling to understand the initial reaction customers tend to adopt when the deterioration has started (see Fig. 3). To each type of customer is associated the reaction that seems the most likely, given the business relationship established with the supplier before the beginning of the deterioration process. The two types of reactions are as follows:

- **Affective commitment** promotes the adoption of a constructive behaviour. The customer that is affectively engaged wishes to preserve the business relationship. Confronted with a relational problem, it will be inclined to favour behaviours facilitating the research of solutions. Constructive reactions (loyalty or voice) are, from this point of view, the most adapted. Their adoption shows the willingness to comfort a business relationship leaving the supplier with the care of spontaneously suggesting solutions or by calling upon it to intervene.

- **Calculative commitment** and the economic constraint encourage the customer to favour a passive reaction. When this component of commitment is strong, the benefits drawn from this business relationship are higher than the costs incurred, and there are no alternatives or they are too costly. This encourages maintaining a status quo. The importance of the benefits makes the incidents more easily bearable and the absence of alternative blocks all actions (Vidal & Fenneteau, 2013). The customer is then ready to adopt a passive reaction (loyalty or neglect).
2.3. Research method and results

A qualitative study was used to explore the impact of the two forms of commitment and the reactions triggered by the deterioration process as described in Figure 3. This section presents the case selection, data collection and analysis procedures, and then presents the main results by describing the four types of reactions.

- Case selection
  The case selection was guided by a theoretical sampling procedure designed to generate contrasting results however for predictable reasons (Eisenhardt, 1989; Yin, 1994). Indeed, the cases were selected based on theoretical reasons, in order to fill the theoretical categories defined by the proposed framework (i.e. the four cases of the proposed matrix) and provide examples of each polar type (i.e. the calculative vs. affective dimensions of commitment). Following Pettigrew’s (1973) recommendations, cases were selected such as extreme cases or polar types (defined based on the nature of commitment) in which the process of interest (i.e. the deterioration process and the reaction it triggers) is “transparently observable”. Since the present research implicitly assumes that the nature of commitment (calculative vs. affective) influences both the deterioration process and the reaction of the customer, it was decided to select cases that differ on the focal variable of the study (commitment) to identify differences or similarities between cases concerning the deterioration process. Thus, we have selected cases representing each dimension of commitment. Specifically, we have selected cases presenting (a) a combination of each form of commitment (high calculative and affective commitment), (b) an asymmetry of commitment (high calculative and low affective commitment vs. low calculative and high affective commitment) and (c) an absence of commitment (low calculative and affective commitment).

- Data collection
  The data collection carried out by questioning customers and members of a large French industrial company (FabIndus) specialised in the production of supplies destined to a large variety of business sectors (aeronautics, automotive repair and diverse other industries). The names of its customers have been modified to guarantee the respondents’ anonymity. The data collection was carried out by following a dyadic approach. 26 semi-structured interviews were conducted with staff members of FabIndus (14 interviews) and clients’ representatives (7 distributors and 5 end-users) identified as having recently been confronted with deterioration.

Figure 3: Impact of commitment on the customers’ reactions

- Case selection
- Data collection
in their relationship. The respondents were selected in collaboration with FabIndus members depending on their position within the company, their function, their experience and their knowledgeable. The size of the final sample was determined using the criterion of theoretical saturation (Strauss & Corbin, 1988). Thus, it has been decided to stop the collection as soon as no new information would be extracted from additional interviews. Table 2 describes the composition of the sample.

Table 2: Sample composition

<table>
<thead>
<tr>
<th>“Supplier” sample</th>
<th>“Client” sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service or Function</td>
<td>Number of interviews</td>
</tr>
<tr>
<td>Marketing</td>
<td>6</td>
</tr>
<tr>
<td>Customer &amp; Logistics</td>
<td>2</td>
</tr>
<tr>
<td>Quality &amp; Manufacturing</td>
<td>2</td>
</tr>
<tr>
<td>Top management</td>
<td>4</td>
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During the interview, the interviewees were asked to describe their company and their role within it. They were then asked to recount the major stages of development of the relationship which unites them with their partner, describe an event that led to a deterioration of the relationship, describe the consequences of this incident, then indicate their reactions and attitudes observed during this period. The 26 semi-structured interviews were recorded and entirely transcribed in full in order to limit interpretation, omission or distortion of the collected information.

- Data analysis of customers’ reaction
The data collected as part of this work was analysed by using classic analysis content procedures. A double coding process was used to verify the reliability of the results obtained. The dictionary of themes and the coding protocol were provided to a second judge, to whom it was asked to code a sample of interviews carefully following the indicated pattern and coding rules. The reliability of coding was evaluated through three complementary indexes: the degree of agreement between the judges reached 0.88, Cohen’s Kappa (1960) was of a value of 0.87 and Perreault & Leigh’s (1989) the reliability index (Ir) equalled 0.87. These coefficients demonstrate the reproducibility of the results. Coefficients in the range of 0.8 are indeed satisfying and allow concluding to the reliability of the coding process (Weber, 1990). Each case analysed was assigned to one of the four classes of customer reaction presented in Figure 3. Each reaction is presented below through a representative case illustrating the conclusion of this analysis.

1. *The pillars*. The fact that the affective and the calculative commitments are both important leads them to opt for a constructive reaction while remaining passive. Hoping for the business relationship to develop, they do not wish to appear as negligent or even less of choosing the exit. The fact that they can do without their supplier with difficulty or have no interest to change, discourage them from claiming actively. As they intended to remain with this supplier, they must avoid conflicting with it. The affective commitment comforts them along this road and encourages them to leave it up to their partner counting on their goodwill. They opt for loyalty. They are confident and expect the supplier to resolve the problem troubling the business relationship. They show patience and are willing to make short-term sacrifices, because they are convinced that this will be made up for later on (see Box 1).
Box 1: Example of a pillar, the Alpha Company

Nature of the business relationship. The people in charge of the companies Alpha and FabIndus are closely linked and attempt to comfort their business relationship. The CEO of Alpha compares the partnership with FabIndus to a love relationship, with a strong attachment between the two parties and an intense affective commitment. “In all, I have worked with FabIndus for thirty years. In fact, the Alpha Company was started by two former workers of FabIndus, therefore we inevitably have a relatively strong relationship... It is like a couple... You can sense that, on both sides, there is a will to prove to the partner that we are better. We wish to prove to FabIndus that we are very good and FabIndus wishes to prove us they are very good”. The calculative component of commitment is also very important, because the sales of FabIndus’ products represent a large part of Alpha’s activity. “Currently, FabIndus generates approximately 45% of our turnover... It is difficult to do without FabIndus... FabIndus is essential”. The criterion of sales percentage derived from products of a given supplier do not always constitute the only explanatory element of a client’s dependence. However, the level observed here (45%) leads FabIndus to seem replaceable with difficulty in the short term, even if other quality alternatives exist on the market.

Trigger element. In this case, it is an injustice perceived by the people in charge of Alpha that created the tensions and deteriorate the business relationship with FabIndus. Alpha’s managers showed cooperation and have accepted to reduce the payment delays demanded by FabIndus, but bitterly notice that other customers have not complied and managed to escape this constraint. “At a certain point, FabIndus limited our terms of payment. It should have been a rule. All FabIndus customers had to reduce their delays. And, in practice, they did not manage to reduce the delays for everyone. And they made us reduce our company”.

Reaction. Because of the good quality of the business relationship and dependency in which the customer is placed, we could expect Alpha, although affected by the incident, to display loyalty and remain tolerant. This is exactly what happened. “We said we were partners. But now, we realise that colleagues have longer payment terms. This is not normal. Well, we don’t say anything, but it is a bit irritating”.

2. The prospects. The affective commitment of these customers is important, but the calculative component is weak. These two contrasted characteristics have the effect of encouraging them to adopt a constructive attitude while being active. The affective commitment and the will to be loyal lead them to choose solutions that preserve the business relationship, but the fact that they can turn to other suppliers generates breakdown temptations. If the problem that initiated the deterioration process is not resolved, these customers would suffer an opportunity cost by remaining loyal and the value of the business relationship would diminished. This constraint prohibits them to wait and keep still. They opt for the voice that can have a positive effect on the business relationship (McCollough & Bharadwaj, 1992). By proceeding in this manner, they offer their partner a chance to react and express their will to participate actively in the problem resolution (see Box 2).

Box 2: An example of a prospect, the Bêta Company

Nature of the business relationship. The business relationship between Bêta and FabIndus is developing. “FabIndus, for us, has never been a flagship product. It was added... as an annex. And, little by little, entire families [of products] were included. And I think that in the future we may have a strong card to play with FabIndus”. This business relationship relies on positive interpersonal links that comfort Bêta’s managers in their will to continue their work with FabIndus. “They are good partners and people we exchange with. It works well. We are not in a cutthroat competition saying; you are in my company because I have to have you, but at the first misbehaviour... Not at all. Our relationship is good”. However, the structural basis lacks solidity, as there are no dependency links and the calculative commitment of Bêta is limited. “Tomorrow, we change our suppliers, we can do it. Moreover, we can do it without putting the company in danger. Because, currently, for each product we sell, we have various suppliers. And these suppliers are of equal quality”.

Trigger element. The deterioration of the business relationship was initiated here when Bêta’s managers noticed, with disappointment, that FabIndus was not as cooperative as they had hoped and refused to grant them distinctly more advantageous prices than those obtained by other distributors. “The only problems we encountered (with FabIndus) are price problems as they are distributed more and more by our competitors”.

Reaction. The customer appreciating the business relationship but benefiting from an important freedom of action, it was possible that Bêta would not temporise and favour the voice in order to find a solution. This is indeed the code of conduct adopted by the managers of this company. “It never occurred to us to say: Let’s not worry about it, we should sack FabIndus, that way we will end our price problems. We are not like that. We have problems, we try to solve them with our suppliers... We try to take things further”.

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3. *The hostages.* As the affective commitment of these customers is weak, they are not inclined to adopt a constructive attitude based on finding solutions and are tempted to choose the exit in order to flee difficulties. But they remain passive because the calculative component of commitment is important to them and the breakdown does not seem feasible, either because this is not economically advantageous for them, either because they have no alternative. The business relationship carries on involuntarily (Bozzo et al., 2003). Some passively do with the situation as the continuation of exchanges present financial advantages, despite the deterioration. Others are turned more directly to the breakdown and wait for the disappearance of constraints that disable them to change suppliers. All show *neglect* by abandoning to express themselves and contribute to the problem resolution (see Box 3).

**Box 3:** An example of a hostage, the *Gamma* Company

*Nature of the business relationship.* The business relationship between Gamma and FabIndus was established at the express request of an important customer of Gamma. “FabIndus is imposed by many aircraft manufacturers and engine companies, by virtue of their qualifications. Therefore, for us, it is not the fact of working more with a company or another; it is the customers that ask for FabIndus’ products. It is not a choice”. There is no affective commitment in this case, but the calculative commitment is important, because the maintenance of the business relationship with FabIndus is economically vital for Gamma.

*Trigger element.* The deterioration of the business relationship was provoked here by a series of logistical failures that generated an additional cost for Gamma. “We had important logistical problems last year... further to FabIndus’ change of carrier... There was a problem every week: orders that never arrived or that arrived in a bad state. For a whole year, there was a problem with each delivery: either we did not have the documents, or the goods were damaged, or we were missing boxes”.

*Reaction.* The low quality of the business relationship and the strong dependence of the customer made neglect very likely. This is what we observed: Gamma’s managers remained passive regretting the fact that they were unable to break up. “In any case, we could not change. I could not find FabIndus products elsewhere than with FabIndus; we have to go through FabIndus so we could not put pressure on or anything... At the time, if we could have changed the supplier, I think we would have done it. But, as I said, in aeronautics, we are stuck with big names, we cannot override them”.

4. *The free riders.* As underlined previously, these customers are not linked to the supplier by any type of real relationship and do not feel committed to it in any way. Therefore, they tend to be active and adopt a destructive attitude when facing difficulties. They choose to *exit* as soon as it proves to be profitable to them, even if it means adopting an opportunistic behaviour in the sense of Williamson (1985), for example by manipulating or concealing information. Research led in this field establishes a direct link between opportunism and dissolution of a business relationship (Payan et al., 2010; Samaha et al., 2011). The absence of exit barriers leads the free riders to adopt an active behaviour by looking for new outsider suppliers as soon as it proves to be profitable, and by organising actively their interchangeability (Reverdy, 2009). When the business relationship deteriorates, the process tends to accelerate and the breakdown is rapidly planned (see Box 4).

**Box 4:** An example of a free rider, the *Delta* Company

*Nature of the business relationship.* The exchanges between Delta and FabIndus are a succession of one-off transactions. The customer does not have the will to be loyal and is not dependent. Beyond the relationship with FabIndus, this customer can be described as a fundamentally calculative partner, considering each relationship as a free play. “Nowadays, I do not call FabIndus or very occasionally. I call FabIndus when other suppliers do not suit me or on very specific products. Therefore, I use FabIndus when I wish... I am interested in the products but not in the relationship... I am loyal to only one company, mine”.

*Reaction.* In case of difficulties, free riders tend to take advantage of independency and liberty of movement that characterise them by immediately choosing the exit. The rapidity of their reaction comes from their logic of action that is based on the call for competition between suppliers and the permanent change of supply source. The CEO of Delta clearly indicated: “One of the main business methods consists in putting on pressure. And, every day,
I change supplier. Therefore, suppliers are very volatile in my company... I change on the whim of products. I look for better margins. I look for better prices and better delays, depending on what I need. I change suppliers for one euro. I make 2,500 cars per year. So, one euro on each car is 2,500 euros... It is strictly a financial question. I am very business-minded, I have no qualms”.

Conclusion

In spite of the simplifications imposed by the use of an analysis grid based on a matrix, the results provide points of reference useful to managers. It is confirmed that the deterioration of business relationships is a heterogeneous phenomenon. The supplier may expect different reactions depending on the business relationships that customers have built with it. This can be helpful to elaborate differentiated response strategies:

- When the business relationship is of a good quality and the customer is dependent (pillars), it will most probably be loyal if the deterioration process starts. By taking the initiative of correcting problems and by spontaneously engaging in a unilateral revival strategy of the business relationship, the supplier will do its best to be forgiven for the incidents, in particular by establishing a constructive dialogue with the disappointed customer.

- With customers who appreciate the quality of the business relationship but have a great freedom of movement (prospects), the supplier may expect complaints. A strategy based on an active listening of grievances and the joint research of solutions seems appropriate to reach a bilateral revival of the business relationship.

- Finally, with the customers who maintain the business relationship only because they are forced to (hostages), the supplier will be confronted with a reaction based on neglect. Two options are possible: either a strategy of creative restoration aiming at establishing connections of better quality after having resolved the incidents, either with the customers showing a limited interest, a response also based on neglect.

The interest of the investigation is however to underline that the upkeep of a business relationship is not an end. Resembling relationships of couples who face an insurmountable stalemate, suppliers and customers sometimes need to break up when the joint adventure brings more costs than shared benefits (Chen et al., 2013). In general, it is clear that a business relationship evolves in time; just as trust between the suppliers and customers will also evolve in time, depending in particular on the environmental transformations. As underlined by Huang & Wilkinson (2013:463), “firms constantly re-examine, re-experience and re-structure their resources, perceptions, beliefs, intentions and expectations based on variations over time in the proximate environment or behaviour setting of the relation and because of external shocks”. The dynamics of business relationships is, consequently, an essential research topic, notably in what concerns the understanding of possible evolutions of the customer’s commitment according to internal and external factors.

The consideration of the customer’s commitment, even if it reveals to be instructive, does not provide all the necessary light. It seems particularly important to undertake new research concerning the trigger elements in order to go beyond the first indications we suggested by taking in consideration the nature of the business relationship. But it is mostly the interpretation of the trigger element engaged by the customer that would deserve to be a research priority. Some studies have already shown that the same incident can give rise to very different evaluations in terms of seriousness, persistence and perceived responsibility (Vidal & Fenneteau, 2013). The filtering operating in the mind of the customer should be the subject of new research to avoid mutual misunderstandings that could deteriorate (and potentially eliminate) a business relationship, while its founding principles are sufficiently solid to allow the pursuit of a reciprocal value creating commitment.
In this paper, we focused on the study of the customer’s initial reaction. It is, indeed, decisive to the extent that it determines the direction in which the deterioration process moves. New investigation should be developed in order to improve the understanding of the next steps of the process, and identify a certain number of behavioural scripts in the evolution of the business relationship. It is especially essential to understand how the supplier’s answer can—or not—modify the customer’s initial reaction and translate through the restoration of links or through the progressive dissolution of the business relationship. It would be tempting to imagine, starting from a purely mechanical vision, that a sole development exists starting from the customer's initial reaction, on a stimulus/response-type model. Likewise, additional determinants such as the psychological profile and the relational orientation of the partners could be considered to explain more precisely the deterioration process and the reactions it triggers. Yet, the complexity of inter-organisational exchanges is sufficiently important, according to cultural contexts, purchasing situations and types of products, to avoid referring to a hypothetical monistic perspective of business relationships between buyers and suppliers.

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References


