

Identifying relationship structures that advance the firm's resilience capacity

Businesses increasingly experience turbulence due to various social, technological, economic, political and natural changes. In order to survive such disruptions firms are called to increase their resilience capacities to be able to foresee and prepare for change and recover fast from adversities (Williams, Gruber, Sutcliffe, Shepherd, & Zhao, 2017). However, in the hyper-connected business world of today, such capacities can only be developed considering other businesses that a firm is dependent on. This is while, on the one hand, connectivity to other businesses facilitates access to resources (Pfeffer & Salancik, 1978), and on the other hand, any dependencies to others increase the risk of failure in turbulent conditions wherein every business is more vulnerable (Sheffi & Rice Jr, 2005). Such a dual role of business partners makes it vital to understand how relationships can be managed to increase firm's resilience. This empirical research views firms as Complex Adaptive Systems and uses Social Exchange theory to investigate relationship structures that can support resilience in turbulent environments.

Despite the recent interest in understanding business resilience, there is lack of empirical research unfolding the role and efficient management of business relationships (Tukamuhabwa, Stevenson, Busby, & Zorzini, 2015; Van Der Vegt, Essens, Wahlström, & George, 2015). Limited available research, however, proves the positive role of some relational features in building resilience. Relationship outcomes such as collaboration, coordinating, joint decision making, joint planning and knowledge-sharing improves resilience (Hohenstein, Feisel, Hartmann, & Giunipero, 2015). Besides such features, communication is also proven as a critical relational factor that enhances resilience (Wieland & Marcus Wallenburg, 2013). While the research expands in this field, there is a need to identify the ideal structure of relationships for turbulent environments.

Business interactions in dyads and networks are sources of competence and lead to power, innovation and productivity (Håkansson & Waluszewski, 2013; Hunt, 2013). Over time, business interactions, result in desirable relational features of trust, commitment, communication and bonds. Hence an ideal relationship is the one that reflects high level of trust, high level of bi-lateral commitment and adaptation, open and frequent communication, strong social and structural bonds (Ford, 1980; Lambe, Wittmann, & Spekman, 2001;

Morgan & Hunt, 1994). While the value of such features has been empirically tested and approved, it is unclear how and to what extent each of such factors and their combination can contribute to firm's success in situations of turbulence which requires flexibility, resourcefulness and speed of action (Syrett & Devine, 2012). Hence, a more detailed investigation is required to understand the vital relational features and their role in contributing negatively or positively to the resilience capacity when the environment is turbulent. While some constructs may be vital and necessary, others may be sufficient conditions for a particular relationship development phase.

We have studied 33 firms in the turbulent business environment of the Middle East to identify the role of each relationship construct and their combination in building business resilience. The Middle East was chosen since it has experienced a high level of social, political, economic and regulatory turbulence in recent years (Worldbank, 2017). We expected to observe relationship behaviours that have evolved and proved to be successful in turbulent environments. A qualitative approach was taken as it fit the exploratory nature of the research question. The data was gathered using a case study methodology and through semi-structured interviews (Yin, 2013). Informants were chosen from managers who deal with sales and purchase and manage business relationships. The cases included manufacturing firms in various industries such as oil and gas, food, chemicals, paint, minerals and construction materials. Besides interviews, observations and documents complemented the research.

To analyse the data, thematic analysis was used along with hermeneutics. Within case and cross-case analysis has also been conducted to look for similarities, differences and trends. For each case, the structure of relationship was concluded in terms of relational features that dominantly appeared in the business to business relationships. The results from the qualitative analysis of the cases reflect the importance of three constructs of commitment, social bonds and communication. Other identified features include reputation, competence and benevolence trust as well as swift trust, openness, control, and geographical distance. Each of the constructs also had a causal influence on one or more features of resilience such as speed of action, reduction of vulnerability and increase in flexibility.

The cross-case comparison suggested three distinct structure for relationships in three forms of turbulent environments. The data suggests that the three identified structures are the outcome of firms' adaptation to the particular environmental conditions surrounding the firm

and its industry. The first structure represents the relationships with monopoly forces formed as a result of highly turbulent environment where relationships are forced to be asymmetric in power. This structure involves, high level of cultural distance and asymmetric instrumental and attitudinal commitment as well as strong social bonds. This structure enables the dependent party to have access to reliable information, become aware of possible issues in exchange and increase their chance of access to the limited resources. The second structure, present in the less turbulent environment reflected high level of bilateral commitment, social bonds and competence trust. In this structure, some levels of geographical distance, structural bonds, control and communication, besides openness and reputation, play positive role in building resilience for the firm. Finally the third structure was present in highly turbulent environment that created challenges for the firm and its relationships. This structure highly suggests both instrumental and attitudinal commitment, ethical commitment and quick adaptation. Similarly, social bonds, communication quality, reputation and mutual control of the exchange were highly dominant constructs in this category of relationships. Surprisingly competent and benevolent trust appeared weakly while swift trust based on reputation was common. Among the three structures of relationships, the third form resulted in higher level of resilience for the firm.

In the second phase of the research, we will be using fsQCA software for conducting a qualitative comparative analysis in order to conclude the combination of relational features that result in the highest level of resilience for firms (Ragin, 2009). This analysis is expected to further refine the above findings and provide recipes of relationship structures that lead to high level of resilience.

The three dominant structures highlighted by this research reflect how firms create a structure that fits the challenges they face from the environment and the relationships. This finding contributes to the business to business relationship marketing as well as the developing literature in resilience by highlighting the role and structure of relationships in building business resilience in various turbulent conditions. The findings also suggests managers to invest in a combination of relationship features to increase business resilience.

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