Towards an Understanding of the Fading Process of Inter-organisational Relationships

A Longitudinal Case Study in the Context of Cultural Sponsorship

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Abstract

The study tackles the fading process of business relationships in the context of cultural sponsorships. The purpose of the study is to develop a general theoretical framework for understanding the fading process of inter-organisational relationships. The primary objective of this theoretical study is the development of a general conceptual model of relationship fading in various empirical settings. The study first presents a brief review of the concept of critical events and incidents in the relevant literature. Second, the study presents various triggers of fading that have been suggested in the discourse of relationship fading and ending. Third, a theoretical framework for understanding the dynamics of fading in inter-organisational relationships is developed. Finally, the paper outlines an empirical case study to analyse the dynamics of fading in the context of a cultural-sponsorship relationship. The proposed theoretical framework is narrow enough to guide empirical research, but broad enough to be open to new ideas and reformulations that may emerge from the empirical material.

1. Introduction

During the past 15 years an extensive literature has emerged on relational perspectives of marketing (Coviello, Brodie, Danaher and Wesley 2002; Grönroos 1994; Hunt and Morgan 1994; Möller and Wilson 1995). This relational discourse is very broad and heterogeneous, varying from consumer relationship marketing to inter-organisational relationship and network approaches (Ford 1997; Grönroos 2000; Gummesson 2002; Håkansson 1982; Håkansson and Snehota 1995; Turnbull, Ford and Cunningham 1996).

One of the key issues in the study of business relationships has been the way in which inter-organisational relationships develop, and various models of this development process have been proposed (e.g., Ford 1980). However, most of these models give only slight attention to the potential fading and ending of these relationships (Alajoutsijärvi, Möller and Tähtinen 2000). There is a significant paucity of studies that focus on the phase preceding the ending of any relationship—that is, the phase during which there exists probable fading of the relationship (Grönhaug, Hejnesand and Koveland 1999; Helm 2002; Michalski 2002; Nordman and Åkerlund 2002; Pressey and Mathews 2003; Åkerlund 2000; 2002). Theoretical development and empirical research is still needed to increase our understanding of the processes of relationship fading in the context of inter-organisational relationships.

The purpose of the present study is to develop a general theoretical framework for understanding the fading process of inter-organisational relationships. The primary objective of this theoretical study is the development of a general conceptual model of relationship fading in various empirical settings. The study first presents a brief review of the concept of critical events and incidents in the relevant literature. Second, the study presents various triggers of fading that have been suggested in the discourse of relationship fading and ending. Third, a theoretical framework for understanding the dynamics of fading in inter-organisational relationships is developed. Finally, the paper outlines an empirical case study to analyse the dynamics of fading in the context of a cultural-sponsorship relationship.
2. **Critical events and incidents**

Critical events and incidents are decisive issues in understanding the dynamics of fading in inter-organisational relationships. The concept of critical events and incidents has been utilised in the previous literature to obtain a better understanding of the development of successful and unsuccessful business relationships.

Halinen (1997) has studied critical events and business relationships in the context of professional services. According to Halinen (1997, 65) critical events can be characterised on the basis of their influence over the content and process of relationship development. There are major and minor events—categorised according to their consequences. Halinen (1997, 65) has defined critical events as events that are decisive in a relationship. These critical events can function as either driving or checking forces in the development of a relationship. An event that increases the level of satisfaction is regarded as a driving event. An event that produces decreased levels of satisfaction is interpreted as a checking event. Critical events can be characterised on their influence over the content and process of relationship development. Some critical events increase perceived uncertainty regarding a relationship’s continuation, whereas others reduce it. Critical events can also function as turning or breaking points in relationship development (Halinen 1997, 272).

Holmlund and Strandvik (2000, 136-143) have focused on perceptions of critical incidents in business relationships. Compared with the traditional analysis of critical incidents in other settings, a business dyad has two active partners. Consequently, critical incidents have more complex patterns in business relationships than in consumer relationships. Critical incidents represent potential instances of change in business relationships—because they create situations in which the attention levels and sensitivity levels of parties are raised. Dyadic perceptions of criticality can have unilateral or bilateral dimensions. In a dyadic business relationship, the unilateral dimension refers to a one-sided critical experience, whereas the bilateral dimension refers to a mutual critical experience. Perceptions of critical incidents can initiate actions that affect the short-term and long-term development of the relationship (Holmlund and Strandvik 2000, 136).

In order to uncover the contextual embeddedness of critical incidents, Edvardsson and Strandvik (2000, 3-11) use the relationship between service provider and the customer as the meta-context and, within this context, to focus on the time and situational dimensions. These two dimensions are distinct, but are also interdependent relational and contextual dimensions. The time dimension is connected to the history, present time, and future of the relationship, as well as to changes in the internal and external context of the relationship over time. Consequently, a critical incident occurs within a relationship—and it is affected by that relationship, just as it affects the relationship. The situational dimension depicts the internal and external conditions of the relationship (Edvardsson and Strandvik 2000, 6-7).

The issues of the contextual embeddedness of critical events and incidents are crucial themes in understanding the dynamics of fading in inter-organisational relationships. The critical event/incident discourse seems to emphasise the situationality, actuality, and singularity of events when studying the development of business relationships. However, the structurality, generality, and potentiality of the various elements of the context seem to have been neglected in the critical events/incident discourse. Consequently, in studying the fading of inter-organisational relationships, the present study emphasises the importance of both the situational critical events and the more permanent critical structures.

3. **Triggers of fading in inter-organisational relationships**

Based on the ideas of Nordman and Åkerlund (2002, 284) relationship fading is defined here as a process in which the strength of the relationship is in an ongoing weakening phase due to passive or active contextual or relational reasons, and in which the outcome of the process is
not yet known. Several reasons for fading can be found—both in the relationship itself and in the context surrounding it. The nature of fading can be active if the business partner is looking for a relationship decline or passive if the fading takes place with no active or deliberate actions. A fading process in a relationship can result in one of two outcomes—a business partner continues the relationship with the service provider, or ends the relationship with that provider. There can be several reasons for staying in a relationship—including improvements in the relationship (Nordman and Åkerlund 2002).

Triggers of fading refer to critical events and incidents that can initiate a fading process in a relationship. A trigger can lead directly either to a weakening or to an ending of the relationship. Alternatively, it can initiate the fading of a relationship either to a weakening or to an ending process—without directly causing the potential ending of the relationship (see, analogically, Roos and Strandvik 1996, 3–4). A trigger of fading in an inter-organisational relationship is taken to be any element that affects the present status of the relationship in such a way as to initiate the process leading to a weakening or to a potential ending of the inter-organisational relationship. A trigger is thus taken to be an issue that starts the process—but it is not necessarily the element that finally leads to the weakening or potential ending of the relationship (see, analogically, Roos and Strandvik 1996, 3-4).

In studying the trigger effect on customers, Edvardsson, Gustafsson and Roos (2002, 257) identified three groups of triggers—(i) situational triggers; (ii) influential triggers; and (iii) reactional triggers. A situational trigger can stem from entities outside an ordinary customer-service provider relationship. A change in the customer’s financial situation or a demographical change might be such a trigger. An influential trigger can have its origins in a change in a competitor’s offerings—such as an aggressive advertising campaign or the launching of a new club-membership card. A reactional trigger is produced by a change in the service quality perceived by the customer—with deterioration in the core service offering placing the relationship on a fading path (Edvardsson, Gustafsson and Roos 2002, 257).

In studying relationship ending, another categorisation of triggers has been proposed by Halinen and Tähtinen (2002, 169–171). According to these authors, triggers can be defined in terms of: (i) predisposing factors; (ii) precipitating events; and (iii) attenuating factors and events. This classification is based on the role of these issues in the ending process, particularly on the direction of their influence. Predisposing factors and precipitating events promote the ending of relationships, whereas attenuating factors and events hinder such a process (Tähtinen 2001, 50-56). Predisposing factors already exist when the parties enter into a relationship. These pre-existing factors make the relationship vulnerable to ending. Predisposing factors are fairly static and inherent to the relationship. Precipitating events bring change to the existing relationship, and function as impulses for the parties to take action to end their relationship. These events might be sudden and dramatic, or might be part of a series of events that create increasing pressure for a change in the relationship. Attenuating factors and events moderate the effect of predisposing factors and precipitating events. If the perceived importance of attenuating factors and events is high, the business partner is likely to continue the relationship (Halinen and Tähtinen 2002, 169–171; Tähtinen 2001, 50-56).

We propose that the starting point for understanding the dynamics of fading in inter-organisational relationships is the basic division of social phenomena into structures and processes. Structural elements refer to the contextual issues that are relevant to the inter-organisational relationships under scrutiny. In general, structures are fairly permanent in time and space, but they can change over time as a result of processes. These structural elements operate on the various levels of contexts and can refer to different kinds of shared norms, values, beliefs, attitudes, rules, policies, and wisdoms concerning appropriate conduct within inter-organisational relationships. Structural elements might originate from the macro
environmental, organisational field, network, relationship, or personal level. They are of course, shaped by the interpretations of the parties to the relationships. As with critical events and incidents, critical structures can have negative, neutral and/or positive effects on the development of a relationship. The present study argues that general critical structures can often be found behind many critical events and incidents that appear to be unique, singular, or situational. These general critical structures arise from the interaction between the parties to the relationship. Processes, in contrast, refer to situational human agency—that is, to a series of actions linked to an inter-organisational relationship. Actions occur situationally at certain times within the specific relationship as well as outside it—that is, in the outer context (network, organisational field, macro-environment) in which the relationship under scrutiny is embedded. The theoretical framework for understanding the dynamics of fading in inter-organisational relationships is illustrated in Figure 1.

![Figure 1. A theoretical framework for understanding the dynamics of fading in inter-organisational relationships](image)

The fading of inter-organisational relationship is presented as an interaction between individual events and actions (lower part of the figure 1) and various levels of contexts (upper part of the figure 1). In theoretical terms, the inter-organisational relationships in question are shaped (i) through external forces—the ‘functionalist’, objective systems approach, e.g.,
Burrell and Morgan 1979, (ii) through the subjective motivations of individual volunteer actors—the ‘existentialist’, ‘phenomenological’, subjective approach, e.g., Burrell and Morgan 1979, and (iii) through interaction between individual actions and external structures—the structuration approach, e.g., Giddens 1984. According to the first view (the ‘functionalist’, objective systems approach) the behaviour of human actors is seen as a response or reaction to the external social and psychological environment. According to this view, the existing, general and objective structures are emphasised as explanators of human agency. In the second view, individual actors are understood to be largely free from the pressures emanating from the external environment. According to this view, explanations of behaviour are largely based on motivations that are internal to human minds. This view thus emphasises the voluntaristic decisions of parties as being central to such phenomena as the fading of a relationship. The present study adopts the third view—the structuration approach (Giddens 1984)—which combines the other two views. In this view, structural determinism and actors’ voluntarism are simultaneously taken into account. Individuals interact within a social structure (for example in an embedded inter-organisational relationship), which enables certain types of human agency while simultaneously limiting other types of agency.

The link between relatively permanent structures and the situational processes is a central feature of the framework presented here. The triggers of fading in the inter-organisational relationship can be both structural with relatively high permanency and processual with situational, single critical events and incidents occurring in the relationship. The structural and processual triggers can occur on various contextual levels varying from macro-environmental level to personal level. The inter-organisational relationship can also include various situational processes with attenuating elements, which moderate the effect of structural and processual triggers of fading. To understand the fading of inter-organisational relationships, empirical research should identify the structural and processual triggers that might affect such relationships, and the effects that these triggers might have. The theoretical part of the present study is not formulated into a formal precise model of interrelated concepts and propositions that could be directly tested empirically. It should be noted that the proposed theoretical framework is narrow enough to guide empirical research, but broad enough to be open to new ideas and reformulations that may emerge from the empirical material.

4. **Empirical study in progress: relationship fading in the context of cultural sponsorship**

Sponsoring has become increasingly popular—especially among companies that operate in consumer markets. More recently, it has also attracted interest among industrial marketers (Bruhn 2003; Meenaghan 1998). Many sponsors aim to achieve favourable publicity by increasing public awareness of their relationships with sports, the arts, and other social activities. Sponsorship relationships can involve public, private, profit-making, and non-profit-making organisations. Sponsees can include individuals and permanent or project-oriented organisations. Various criteria to classify sponsorship include the form of sponsorship contribution, the number and type of sponsors involved, the degree of commerciality, the time-span, the geographical coverage and the level of professionality (Bruhn 2003; Dolphin 2003; Olkkonen 1999; 2001; 2002).

Sponsorship can be defined as a mutually beneficial business relationship between sponsor and sponsee. The benefits firms seek from their sponsorship investments have two main dimensions. First, sponsorship objectives that are connected to a product or corporate image, and to awareness of the product or firm in general, are to a great extent based on the marketing-communicative and visibility-linked dimension of sponsorship. Second, stakeholder relationships may also be established and developed interactively through sponsorship by inviting important representatives of the various stakeholders to the sponsored event. This
stakeholder-management dimension is the other central feature of sponsorship-related phenomena (Cornwell 1997; Dolphin 2003; Meenaghan 1991; 1998; Olkkonen 1999; 2001; 2002; Olkkonen, Tikkanen and Alajoutsijärvi 2000).

Despite the fact that sponsorship is common in developed societies, academic research in this field is rather scant. Current research on sponsorship still concentrates mainly on three areas. These are: (i) definitional issues—that is making explicit definitions and typologies of sponsorship; (ii) promotional issues—measurement of the effects and effectiveness of sponsorship; and (iii) managerial issues—the objectives of companies in using sponsorship as an aspect of their marketing programs (Olkkonen 1999; 2002). The managerial viewpoints of the sponsor are emphasised in the literature. Issues of interest include: the importance of realistic, concise, and quantifiable objectives; effective planning and implementation; and the integrated use of other marketing-mix variables in association with sponsorship (Cornwell 1997; Cornwell and Maignan 1998; Crowley 1991; Dolphin 2003; Harvey 2001; Meenaghan 1991; Olkkonen 1999; 2001; 2002). Much of the current research on sponsorship is empirically driven and shows a lack of theory development. It is also characteristically normative—including many guidelines for best practice in sponsorship management (Bruhn 2003; Dolphin 2003; Farrelly, Quester and Mavondo 2003; Gardner and Shuman 1987).

Cornwell and Maignan (1998) offer a large cross-disciplinary review of research conducted on sponsorship worldwide in order to gain an informed understanding of the current state of scholarly knowledge on the management and benefits of sponsorship. Their intensive literature review highlights the current state of research on sponsorship in five research streams. These include the nature of sponsorship, managerial aspects of sponsorship, measurement of sponsorship effects, strategic use of sponsorship, and legal / ethical considerations in sponsorship. Given the relative newness of research on sponsorship, it is not surprising that much of the literature either describes the development of sponsorship or defines its main characteristics in relation to other promotional communications. Many articles address the importance of managerial aspects of sponsorship activities. These include objectives and motivation, constituency and audience, organisational structure, personnel requirements, and budgeting. An increasing number of researchers have evaluated sponsorship’s effects, but with inconsistent findings (Cornwell and Maignan 1998).

Based on their intensive literature review, Cornwell and Maignan (1998, 16) reveal the following gaps that should be addressed in future studies on sponsorship phenomenon: (i) lack of a classification scheme that allows for a clear differentiation of sponsorship from other communication and promotional techniques, (ii) poor understanding of the relationship between stated objectives and achieved results of different types of sponsorships, (iii) lack of established measures for and convergent findings about the impact of sponsorship on different consumers and publics, and (iv) lack of underlying theoretical and conceptual foundations on which to base scholarly inquiry. The latter gap is probably the main weakness of previous research and our study addresses on filling this research gap. We approach sponsorship phenomenon from the relational perspective that has received very scare attention in previous research on sponsorship.

In marketing theory, there has been a general shift in conceptual emphasis towards relation-oriented approaches (Grönroos 1994; 2000; Gummesson 2002; Sheth and Parvatiyar 1995). In view of this, and in view of the fact that many sponsorship arrangements are based on long-term contractual arrangements, empirical research on sponsorship is noticeably deficient in terms of relational perspectives (Dolphin 2003; Farrelly, Quester and Mavondo 2003).

There is a lack of understanding how relationships between sponsors and sponsored are formed, developed and eventually ended. Although sponsorship as a business and a social phenomenon often involves a relationship between the sponsor and the sponsored, there have been only rare attempts to conduct research at understanding various structures and processes
related to the development of different kinds on relationships in various contexts between the sponsor and the sponsored. There is a clear need for empirical research on the dynamics of fading relationships between sponsors and those sponsored. To fill this research gap, the present authors tackle the phenomenon of cultural sponsorship from an inter-organisational interaction perspective—with particular emphasis on the common problem of fading process in the context of cultural-sponsorship relationships.

Cultural sponsorship represents one of the most interesting individual marketing developments in recent years, since it has bridged together very different types of societal fields, namely those on business and the arts and culture. The basis of the present study is the dyadic interaction between a business sponsor and a sponsored museum. A processual approach is used to understand the content and temporal development of the focal cultural-sponsorship relationship. The dynamics of fading in a cultural-sponsorship relationship over time are investigated using data collected over time and from multiple sources. This qualitative single case study evaluates both partners in the focal sponsorship relationship using a dyadic approach. Corresponding perceptions from both partners in the dyad are taken into consideration—rather than focusing on only one partner’s view of the relationship. The dyadic approach is important because the overall nature and fundamental components of the fading in a cultural-sponsorship relationship between partners can better be understood.

The case study examines one three-year cultural-sponsorship relationship between a Finnish telecommunications company (Sonera) and the Finnish Museum of Contemporary Art (Kiasma). The study follows the temporal development of the dyadic relationship from 1997 until 1999. Although a cultural-sponsorship relationship existed at the organisational level, it was executed by various employed persons within these two organisations. The perceptions and interpretations of these persons determined the content and orientation of the dyad. Four key persons were interviewed—two from Kiasma and two from Sonera. The approach of the study was therefore genuinely dyadic.

References


