

# **An Investigation of the Utilisation of Communication Methods in a Business to Business Relationship.**

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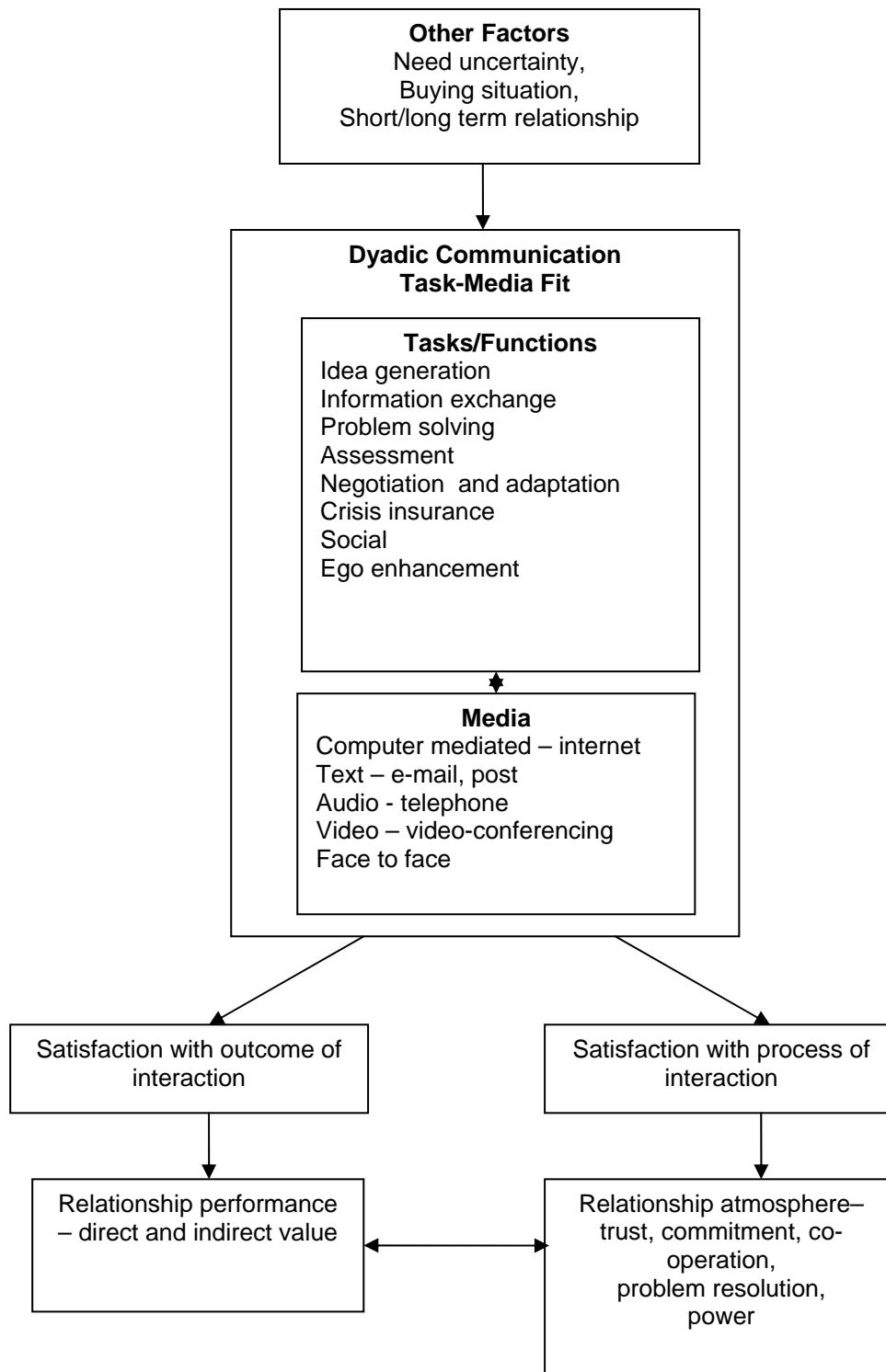
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## Introduction

It has long been recognised that interpersonal relationships lie at the heart of business to business relationships (Turnbull, Ford and Cunningham 1996). Research has found interpersonal contact serves a number of important functions, including information exchange, assessment, negotiation and adaptation, crisis insurance, ego enhancement and social role (Turnbull 1979, Cunningham and Turnbull 1982). These interactions positively affect the atmosphere of the relationship e.g. increase the level of trust, create strong bonds between the parties (Easton 1992) and lead to the development of long term relationships (Hakanson 1982). During recent years there has been an almost exponential growth in the use of information technology which has increased the number of communication methods available to companies. Consequently the functions of interpersonal contact may now be performed by another method of communication. Research has compared the performance of different types of tasks using various media. Whilst tasks involving the exchange of information are performed more efficiently using computer mediated techniques (Saunders and Miranda 1998, Benbunan-Fich, Hiltz and Turoff 2002, Murthy and Kerr 2003), problem solving tasks such as negotiation are performed more efficiently face to face (Morris, Nadler, Kurtzberg and Thompson 2002, Thompson and Nadler 2002). Leek and Turnbull (2004) proposed a model outlining the communication process in a dyadic business relationship (See Figure 1). It incorporates McGrath and Hollingshead's (1993) task media fit model which states that there is an optimal method of communication for different kinds of tasks. In a business relationship context are suppliers and buyers selecting the most appropriate method of communication for the task? Are the functions of interpersonal contact now being performed by another method of communication? If inappropriate media are being used to perform tasks is it having a negative impact on the satisfaction of the process and outcome of the interactions and consequently the relationship atmosphere? The overall aim of this research is to investigate the communications between the individuals involved in a dyadic relationship with the intention of answering the above questions.

Figure 1: The Communication Processes in Dyadic Relationships.



### Background

The research focuses on the relationship between two engineering companies, Company A and Company B. Company A is outsourcing work to Company B. This is a new situation for Company A who have not previously outsourced any of their work. Company B is in turn outsourcing some of this work to Company C who are situated abroad. An SBU of Company A is outsourcing some of its work directly to Company C.

The relationship between the two companies A and B formally started in October 2004. There are five main individuals involved in the relationship; three from company A and two from Company B. One of the individuals from Company B is in situ at Company A.

## Methodology

A combination of in-depth interviews and questionnaires are being used to gather data longitudinally. Data collection started in January 2005 and lasted until December 2005. Two questionnaires were to be completed periodically throughout the study, a relationship atmosphere questionnaire and a communications questionnaire.

The relationship atmosphere questionnaire investigates the degree of trust, commitment, co-operation and dependence using items taken from previous research (Kumar, Scheer and Steenkamp 1995, Lusch and Brown 1996, Mohr, Fisher and Nevin 1996, Leonidou 2004, Yilmaz Gounaris 2005). This questionnaire is completed monthly by all of the individuals.

The second questionnaire relates to the communications between the parties. It obtains information on

- who is involved in the communication
- who initiated the communication
- the purpose of the communication
- the type of task being performed
- the method of communication being used to perform the task

The respondents are also asked to rate on a seven point scale,

- the importance of the communication
- how satisfied they are with the process of the communication
- how satisfied they are with the outcome of the communication on a seven point scale

Both of the questionnaires are emailed to the respondents at the beginning of each month and reminders are distributed to those who do not respond.

In-depth interviews are being carried out periodically with all individuals to obtain greater depth and understanding of the communications recorded in the questionnaires.

## Results and Discussion

It can be observed from Table 1 that the interactions generally entail a limited number of tasks, i.e. information exchange, problem solving and negotiation and adaptation. The respondents do not need to generate ideas very often, nor are they overly concerned with crisis insurance. There are also no social interactions or ego enhancement interactions.

Table 1: A Cross Tabulation of the Methods of Communication Used and the Tasks being Performed.

Method of Communication	Idea Generation	Information Exchange	Problem solving	Negotiation and Adaptation	Crisis Insurance	Total
Face to face – formally arranged meeting	1	17	13	15	1	47
Face to face – less	0	20	8	2	0	30

formal, day to day interaction						
E-mail	0	1	0	0	0	1
Written – formal memo, document	0	2	0	0	0	2
Written – informal, post it note	0	0	0	0	3	3
Total	1	40	21	17	4	83

Not surprisingly the main function of the interactions is to exchange information and this is carried out equally through both formal and informal face to face interaction (See Table 1). The types of information exchanged in formal and informal situations may vary in some systematic way e.g. formal face to face contact involves informing people about the situation, what has been decided, following set procedures and meeting set regulations etc whereas informal face to face exchange of information may entail information about the usual procedures, passing on information which is perhaps not yet public knowledge and speculation. The exchange of information is not included on McGrath and Hollingshead's list of tasks. It could be assumed that the straightforward exchange of information would be best performed by a less rich media than face to face interaction i.e. written communication. Qualitative data revealed that the media used depended on a number of factors. If the individuals wanted a quick response they tended to use the telephone rather than e-mail which an individual can ignore or fail to pick up. The type of information also influenced the media used. If the communication involved concrete information e-mail tended to be used. However if the information was perceptual or emotional then a richer media e.g. telephone, audio-conference call, face to face, was chosen as they provide more cues and enable immediate feedback. The predominance of face to face contact as a method for exchanging information may be due to this relationship being unusual in that a member of Company B is in situ at Company A.

The second most popular function of the interactions is for the resolution of problems which again is carried out through face to face interaction (See Table1). Although problem solving is not explicitly mentioned by McGrath and Hollingshead it can be assumed that the best medium to use for this type of task is face to face communication as it enables the immediate feedback on information and compromise. Formal face to face contact is used for problem solving more than informal contact. Formal contact may be necessary in order to ensure all the parties involved meet with the specific objective of resolving the problem. It is possible that the formality of the face to face contact used varies according to the type of problem i.e. the urgency of the problem, the size of the problem. Problems may be solved formally and then discussed again on an informal level to sort out the practicalities of implementing the solution. However qualitative data suggests formal face to face interactions are not always very productive because they do not always reach the desired objectives (these objectives may be written or unwritten) e.g. failing to reach an agreement on the negotiations, the people required to be at the meetings may be absent/ late, they seem to be acting as a PR exercise and/or they serve to highlight problems rather than resolve them.

Negotiation and adaptation is the third most common reason for interacting and is mainly carried out in formal face to face settings. According to the Task Media Fit model the most suitable method for negotiation is face to face communication and this is the medium used by the respondents when they have performed this task. The vast majority of the negotiation tasks are carried out through formal face to face interactions. When negotiating a formal meeting is required in order to give the parties involved time to prepare beforehand this will enable them to effectively put forward their perspective and to address issues put forward by the other company. A formal situation is also recorded which the companies may feel is necessary when negotiations are involved.

Idea generation currently is rare. At the beginning of the relationship formal workshops were arranged to discuss ideas on how the two companies would be integrated. This approach was perceived to be best as people were brought together with a set objective to be achieved. The formal workshops were perceived to generate a better quality of outcome. This does not fit in with McGrath and Hollingshead's task media fit model which states that the optimal method of communication for idea generation is via computer.

Crisis insurance, although not a common function of interaction, seems solely to be performed through written, informal documents. There is an element of crisis insurance that by its very nature would not require interaction between the parties. Company A has not been involved in this kind of arrangement before and individual 2 from Company B suspects that work which should be going to Company B is in fact going to another company which in effect is acting as a “back door” for Company A.

The respondents claim they do not interact for social reasons. The relationships are in the main business oriented, formal and professional; there are social pleasantries between the individuals but nothing more. The relationship between the senior individuals (4 and 5) is more distant than the others. Individual 4 would like more social relationship with individual 5; during the relationship he has not felt it appropriate to ask individual 5 out to lunch. The relationship for individual 4 is only 5% of his workload so he may not have the time to devote to building it up. Individual 5 has had such difficulty contacting individual 4 he now tends to go straight to individual 3. This lack of a relationship between the two most senior people may have influenced a number of individual 5's decisions e.g. the method of communication chosen to raise the issue of costings, the quota of work being outsourced abroad.

Face to face interaction is the most commonly used method of communicating because most of the parties involved in the relationship are situated in one company so there is less need to utilise the full range of communication methods.

Table 2: The Average Importance of the Communication, Satisfaction with the Method of Communication and Satisfaction with the Outcome of Each Type of Communication.

Method of Communication	Importance	Satisfaction with Method	Satisfaction with Outcome
Face to face – formally arranged meeting	5.71 sd.920 (17)	6.88 sd.485 (17)	6.12 sd.928 (17)
Face to face – less formal, day to day interaction	5.70 sd.876 (23)	6.91 sd.288 (23)	5.52 sd1.31 (23)
E-mail	5.00 (1)	7.00 (1)	6.00 (1)
Written – formal memo, document	7.00 sd.000 (2)	7.00 sd.000 (2)	7.00 sd.000 (1)
Written – informal post it note	7.00 sd.000 (3)	7.00 sd.000 (3)	4.33 sd2.309 (3)

[1 – Of little importance, 7 – Extremely important; 1- Extremely dissatisfied to 7 – Extremely satisfied]

It was expected that important communications would be more likely to be carried out in face to face situations and they do have a greater importance than email (See Table 2). Interestingly, the written communications actually have a higher level of importance than face to face and email communications. In very important situations it is can be crucial to have a physical record of the actions taken. Alternatively, the results for written communications could be due to the small sample.

There is generally a high degree of satisfaction with all of the methods of communication used (See Table 2). It appears that the respondents are more satisfied with written communications and e-mail than face to face communication. This may be due to the fact that with written communications the respondent can deliberate on the information they want to convey and then put it across without interruption. Informal face to face contact has a slightly higher satisfaction score than formal face to face contact. Formal face to face contact may be constrained by the etiquette of the situation whereas informal face to face contact may not.

However the respondents' satisfaction with the outcome of the communication is generally slightly lower which may be due to a variety of reasons (See Table 2). The respondents may not be using the optimal communication method for the task e.g. an individual in Company B sent an e-mail to an individual in Company A to discuss costings. The individual in Company A saw the sender and subject and deliberately ignored it as he knew it was going to cost the company money and he wanted to defer it as long as possible. The individual from Company B was under considerable pressure and should have at least telephoned in order to get a quick, initial response to the situation from Company

A. There is the underlying assumption that the parties are willing to communicate and want quick, effective communication which from the example above is not necessarily true. People can choose not to communicate or may deliberately choose the “wrong” type of communication. The low satisfaction with the outcomes could be due to the parties involved predominantly using face to face contact which may be too rich a communication method for straightforward information exchange and consequently may introduce additional complexities from the other respondents. In addition there may be a variety of other problems with the communication, for example people may not take note of the important pieces of information, they may be withholding information or they may not act on the information, all of these factors will negatively impact satisfaction with the outcome of the communication method.

Satisfaction with the outcome of the interactions is important as they are the building blocks of the relationship atmosphere. Satisfying interactions will increase the levels of trust, commitment and cooperation and decrease the likelihood of power being used. Unsatisfactory interactions may erode the positive attributes of the relationship atmosphere and increase the likelihood of power being used. Generally, the levels of trust, commitment and cooperation are quite high which suggests that the individual interactions are providing sound foundations on which the relationship can be built but there are some interesting variations.

Table 3: The Level of Trust, Commitment, Cooperation and Dependence Amongst the Respondents.

Company	Respondent	Trust (10-70)	Commitment (11-77)	Cooperation (5-35)	Dependence (11-77)
A	1	52.7	54.0	29.6	56
A	3	52.5	53	26	58.5
A	4	47	39	22	49
B (in situ in A)	2	48.3	53.3	25	62
B	5	39	62	26	61

It can be seen from Table 3 that respondents 1, 2, 3 and 4 exhibit a similar levels of commitment and cooperation. Individuals 1 and 2 are interacting on a daily basis and individual 3 is a fairly frequent point of contact for them. The regular interaction has lead to both individual 1 and 3 having a similar perception of the relationship atmosphere. Individual 2 differs slightly in the perception of trust and dependence. Individual 2 being in situ suspects Company A as having a “back door” which has possibly altered his perception of trust and dependence in the relationship. Respondent 5 has quite a different perception of the relationship atmosphere. He perceives Company B to be committed to the relationship but also quite dependent. An SBU of Company A has outsourced work directly to Company C which Company A potentially could also choose to do, bypassing Company B altogether. Individual 5 has comparatively low levels of trust and low levels of cooperation, this may be as a result of his difficulties contacting individual 4 and individual 4’s delayed response regarding the costings when he was under pressure from his own company. Individual 4 has low levels of trust, commitment and cooperation. This individual is operating at quite a senior level and has largely been responsible for sorting out the costings and outsourcing. He states that the original contract is very different in comparison to the current contract. “Reluctant” communication from individual 5 concerning the above issues may have lead to this relationship atmosphere. Individual 5 perceives his company to have a comparatively low dependence on Company B.

Many of the functions of interpersonal contact highlighted by Cunningham and Turnbull (1982) are still being carried out by interpersonal contact/face to face interaction. Whilst some of the functions e.g. problem solving and negotiation and adaptation which are carried out face to face do fit in with McGrath and Hollingshead’s Task-Media Fit model there are elements which do not e.g. information exchange. When communication regarding a task e.g. raising the issue of costing has been carried out by a less than optimal method it is suspected to have had a negative impact on the satisfaction with the method used and outcome as well as the relationship atmosphere. Further analysis is necessary to definitely establish the link. If the initial communication concerning the issue was problematic is that enough to have a negative impact despite subsequent satisfactory interactions? This research is still at quite an early stage so statistical conclusions cannot be presented with any degree of certainty. As further quantitative and qualitative data is collected it will be interesting to observe whether the findings above remain the same or change.

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