

# The promoting role of third actors in initiating business relationships

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## Abstract

*Third actors have a decisive role in the initiation of business relationships in various industries. This is common knowledge among business marketing researchers, but surprisingly, the promoting role of third actors is only briefly mentioned in the literature. Overall the initiation of relationships is a neglected research area. In this paper we analyze the third actor involvement in the initiation of business relationships based on an abductive study conducted in the professional service context. Through a data-driven analysis, we aim to enrich the conceptual description and categorisations related to third actors and their role in the initiation of business relationships. Literature from three major research domain is utilized: service marketing literature (especially professional business services), relationship marketing and IMP-literature on relationships and networks, and literature concerning references, industrial word-of-mouth, and reputation as the channels of business information. Empirical data has, however, a primary role in the analysis where conceptual categorisations are sought in a dialog between empirical data and relevant literature. The findings relate to three major aspects of third actor involvement: the type of third actors, the activity mode of third actors, and the role of third actors in the initiation. The study offers a prosperous basis for further research in the area.*

## The promoting role of third actors in initiating business relationships

### 1. INTRODUCTION

The market-as-network perspective views business markets as webs of interactive relationships, where firms, that are dependent on each other's resources, strive to manage their business by initiating, developing and sometimes even ending relationships with important others (see e.g. Axelsson & Easton (eds), 1992; Håkansson et al., (eds) 2004). The key argument is that relationships do not exist in isolation but are connected to each other, which means that one relationship may have an effect on other relationships. This has been called the indirect or network function of a relationship (Håkansson & Snehota, 1995) and seen the key explaining factor for the dynamics of business relationships and networks (Smith & Laage-Hellman, 1992; Halinen et al., 1999).

In this view it is logical to assume that indirect relationships and the involved third actors have an important role in the initiation of business relationships. As Gulati (1995) puts it, once network relations are established, this stimulates further networking relations, and possessing business and social relations with certain types of actors have an effect on new relationships in the future. Business relations seldom begin through direct contacts or by cold calling. The seller and buyer parties may lack access to each other, and, in this case, instead of direct approaches, the parties may approach each other through networks and existing relationships.

This also seems to be common knowledge among business marketing researchers, but surprisingly, third actors with promoting impact have rarely been the focus of the study. In one of the rare studies Ellis (2000) found that the most of initiations in foreign market entry based on third parties instead of seller-initiated exchanges, and third parties had a middleman role by bringing the potential transacting parties together because of their existing relations. Similar kind of findings have been reported by Holmen et al. (2005) who studied a case in printing industry and discovered that various kinds of third actors – companies, former employees and spin offs firms – can act in a key role in the initiation. Personal networks and contacts have been identified to serve as bridges in emerging joint ventures (Wong & Ellis, 2002) and as door openers as well as gatekeepers in the initiation of business relationships (Halinen & Salmi, 2001). Various labels have been used for the promoting third actor: relationship promoter (Walter, 1999; Halinen & Salmi, 2001), third party in non-economic sense (Easton & Araujo, 1992), and go-between (Uzzi, 1997). In studies of network connectedness, activities of mediation (Ritter, 2000) and bridging (Smith & Laage-Hellman, 1992) can be interpreted as illustrations of third actor influence on initiation.

Although a little focused research is available, some research areas provide an indirect evidence of the role of third actors. In the initiation, not only access is required. The parties of an emerging relationship seek to gain some experiential knowledge about the opposite party and third actors play a key role in providing this knowledge. Especially buyers require references (Salminen & Möller, 2006) and track-records (Edvardsson, 1989; Mitchell, 1998; Ewing et al., 1999) that provide evidence of the supplier's performance and capabilities. This evidence is often regarded as necessary for a relationship to initiate. There is also abundant evidence of the importance of referrals (Wheeler, 1987), word-of-mouth (Money, 2000), reputation (Nunlee, 2005; Larson, 1992; Yoon et al., 1993) and communication networks (Johnston and Lewin, 1996) for both the buyers and sellers on business markets. Research suggests that new customers utilise the experience of former customers and other business actors (Henthorne, Latour & Williams, 1993). Also the seller benefits from thirds, since reputation, word-of-mouth, referrals and networking are found to be the most effective practices to generate new business (Waller et al., 2001; Ellingson et al., 2006; Feldman Barr & McNeilly, 2003).

Research knowledge of the role of third actors in business relationship initiation is thus scattered. Overall the initiation of relationships has been a neglected research area. Ongoing relationships, their development and ending, are broadly studied phenomena, but the initiation of relationships has challenged only a few researchers (Holmen et al., 2005). Various stage-models of relationship development exist (e.g. Ford, 1982; Dwyer et al., 1987), but they pay no attention to third actors as promoters of relationship initiation.

**The purpose** of this article is to analyse the involvement of third actors in the initiation of business relationships. It aims to fulfill the research gap by enriching conceptual descriptions related to the status and function of third actors, the type of these actors and their activities and the roles they perform in the initiation of business relationships.

The focal unit of analysis is relationship initiation that is studied through three key actors: the seller and the buyer

between whom a business relationship is emerging and the third actor (or potentially several third actors) who through their actions promote the initiation. Relationship initiation is seen as a process that leads to the first deal between the parties. The study concentrates on analysing the promoting role of thirds in the initiation although acknowledging the potential negative influence as well.

The study follows the logic of abductive reasoning combining systematically ideas arising from empirical data to ideas from theoretical literature (see Gadde & Dubois, 2002). Literature from two major research domains, service marketing (especially professional business services) and industrial relationships and networks is used and combined with literature related to references, referrals, recommendations, word-of-mouth, and reputation as the channels of business information. Yet, empirical data has the leading role in the search for new descriptions and conceptual categorisations. To gather the data, an explorative case study of relationship initiations was conducted in a number of professional services industries.

Professional business services were chosen because their evaluation is difficult and third actors presumably have an important role as relationship promoters. The special features of professional services, such as information asymmetry, intangibility, customised problem solving and knowledge intensity (Silvestro et al., 1992; Edvardsson, 1989; Thakor & Kumar, 2000; Lapierre, 1997) make it difficult for the customer to evaluate both the outcome of the service and the service process, and it is equally challenging for the service provider to present the outcome and the process to the customer beforehand. New customers utilise trustworthy information sources when they evaluate professional service providers (Lapierre, 1997; Day & Barksdale, 2003; Mitchell, 1998), and thus the third can support the buyer of professional service by offering risk reducing information. Also the seller benefits from thirds, because active push-marketing and advertising of professional services is typically seen negatively, and as reducing the levels of expertise and professionalism (Feldman Barr & McNeilly, 2003; Thakor & Kumar, 2000; Waller et al., 2001). Third promoting actors represent neutral and “non-pushing” marketing communication for professional agencies.

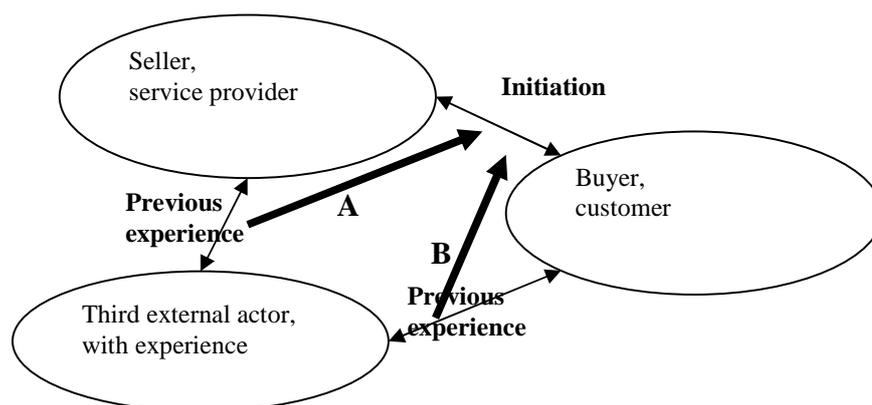
The structure of the paper is the following. The first section examines the status and functions of third actors in the initiation in general and explores – with the help of existing literature – the questions of who is the third actor, how it acts, and which roles it is likely to accomplish. Second section describes the methodology of the study, the nature of data collection and analysis. The third section presents the key results emerging from the data together with an interpretation of the results in the light of existing literature. At the end, the results, their limitations, and the implications for research and practice are discussed.

## **2. THIRDS IN THE INITIATION**

### **2.1 Status and function of third actors**

When a third party is involved in initiation, a three-actor perspective (a triadic view) is needed. At least three actors and their relationships deserve attention: the seller, the buyer and the third, external actor.

The power of thirds in the initiation process is based on the experience and relations they possess (see Figure 1). The third actor has experience of one or both parties of the emerging dyadic relationship and it participates in the initiation by sharing this experience with the other party. Thus three stages are included in the Figure: experience, sharing the experience and the actual initiation. Direct experience of a third is likely to be the most valuable for potential buyers and sellers, but also indirect experience has value on the market (e.g. referrals and reputation). In case A (see Figure 1) the third mediates its experience of the seller to the potential buyer supporting the company in buying and in evaluating the potential service provider. In case B the third mediates its experience of the buyer for the seller supporting the seller for instance in prospecting. The third helps both parties of the dyad in networking and communicating with important others.



**Figure 1 The key actors in the initiation of a business relationship**

The existence and attainment of previous experiences is usually crucial in creating new relationships; some experiential knowledge needs to be established. There are two ways to attain experience; direct experience is achieved by trying oneself, but this is often costly and risky, and indirect experience is achieved by listening to and comparing others' experiences (Silverman, 1997). The buyer of professional services requires the evidence of previous experiences and usually turns to a professional or an agency that is previously known or has "a track record" (Edvardsson, 1989; Mitchell, 1998; Ewing et al., 1999). The experience of third actors can be especially needed, when the actor is not known about the markets, for example, when the seller company is entering new markets in case of foreign market entry (Ellis, 2000), or when a start-up company is building its customer base (Warsta et al., 2001; Ruokolainen, 2005).

The third may share experimental information through public media or through personal channels such as word-of-mouth. Main channels, where actors achieve other's experiences are references (Salminen & Möller, 2006; Ruokolainen 2005; Warsta et al., 2001), referrals (Boles et al., 1997; Herriott, 1992; Wheeler, 1987), recommendations (Boles et al., 1997; Johnson et al., 1998; Waller et al., 2001), word-of-mouth (Waller et al., 2001), reputation (Yoon et al., 1993; Gotsi and Wilson, 2001; Waller et al., 2001), and testimonials (Salminen & Möller, 2006; File et al., 1992). For instance, a referral informs the customer of a competent service provider (Wheiler 1987) indicating a practice of a third of sending a customer to a certain supplier (Salminen, 1997). References (related to a third) transmit information about a gained customer or the capability of a supplier to potential customers and other actors (Salminen & Möller 2006).

The status of the third is based on its ability to offer an objective view about the potential business partner, at least more objective than the buyer or seller itself could provide. The third is considered as an external actor to the emerging dyad, and therefore a credible source of information. An external actor sharing experiences without gaining monetary rewards makes the information about experience more credible. For example, referrals and reputation are external information received from independent organisations and sources, and because of their non-commercial nature they are considered more credible and trustworthy than firm-based promotional efforts (Herriot, 1992; Wheeler, 1987; Yoon et al., 1993; Salminen, 1996). Grönroos (2000) sees references and word-of-mouth-communication as unplanned messages that are based on what "others say and do" contrary to planned messages representing "what the firm says", like advertising and websites.

The third may also share its experiences through active networking and mediating of contacts with others. The position of the third is based on connectedness, since if the third has connections to the buyer and the seller and positive perceptions of their performance it may bridge the not-connected parties together. It may introduce potential parties to each other which eventually lead to the creation of a new relationship (Feldman Barr & McNeilly, 2003; Moncrief and Marshall, 2005). Indirect relationships created through connectedness turn into direct ones when third parties connect actors not yet directly connected (Ritter, 2000; Smith and Laage-Hellmann, 1992).

It is essential to note that the experience the third mediates is based on the past but still has relevance for the future. In the initiation, the dyadic parties do not yet have a common past, and therefore the "pasts" of others are utilised in evaluation. The buyer uses the surrogate indicators of past experience such as references and company reputation to "predict" future performance (Day et al., 1994). In the absence of concrete evidence of service performance, references from previous clients and their evaluation of service quality can act as tangible cues (Edvardsson, 1989) or market signals (Yavas et al., 2004). In other words, the buyer utilises the post-purchase satisfaction of previous clients in the

pre-purchase evaluation of a service provider.

In sum, the core features of the third actor's status and function in the initiation are the following:

- third actor has previous experience about one party/parties and the service, and a direct relationship with one party/parties
- experience is based on previous transactions, but has relevance for future business
- the experience is shared with others through communication and mediating of contacts
- the third is credible because of its external position vis-à-vis the dyad

## 2.2 Type of third actors

The third actor can be a person or an organisation (see Ellis, 2002; Holmen et al., 2005) and the relationship to it can be based on economic or non-economic exchange (Easton & Araujo, 1992). Most often the examined promoting third parties are satisfied existing customers, but many other actors, like former customers, customer's customer, colleagues, former or existing employees, other related firms (ancillary firm), competitors, non-profit agencies can also act as promoting third parties (Feldmann Barr & McNeilly, 2003; Peck et al., 1999).

Business relationships are socially embedded (Granovetter, 1985; Uzzi, 1997; Gulati, 1995), which explains the important role of people as thirds. When the promoting third is considered as a person, personal contacts, such as friendship, are important (Money 2000), but also personal relationships of other kind may be influential. In the empirical study of Wong and Ellis (2002), the bridging social ties that connected potential joint venture parties were based on relative-relationship, friendship, business acquaintance, classmate relationship, and former workmate relationship.

Any stakeholder organisation – customer, supplier, competitor, media – can act as a third. In case of a reference it is the customer, who shares its experiences through the seller: it allows the seller to utilise and communicate the positive experience by offering reference cases, providing reference lists or by using the customer's name (Salminen & Möller, 2006; Helfert & Vith, 1999). Various stakeholders with their opinions may even form “a collective of thirds”. For instance reputation is formed on the basis of direct and indirect experiences and information received, and it includes collective information about past and current evaluations (Gotsi & Wilson, 2001; Yoon et al., 1993).

When people make judgements, they use both public and private information (Uzzi & Dunlap, 2005). Public information is easily available from a variety of sources such as the Internet, but because it is so accessible, it does not offer value in competition. Private information is gathered from personal contacts, is unique and subjective, and often very useful in doing business. The value of private information depends, however, on how much the receiver of this information trusts on the information source (Uzzi & Dunlap, 2005). In professional services, because of information asymmetry and credence qualities, information seeking is personalised, and individual people as information sources highly appreciated (Thakor & Kumar, 2000; Lapierre, 1997). Through social contacts business actors may obtain informal and also confidential and sensitive information about each other (Halinen & Salmi, 2001; Uzzi & Dunlap, 2005).

It can be asked why third actors share their experiences with others. **The motivation** to this is potentially founded on collectiveness of business actors. People tell success and failure stories and the ultimate goal of sharing this information are to warn about failure or to cheer success (Coffey & Atkinson, 1996). By sharing information about past activities, people give guidelines to others, and thus reputation can even be seen as a social control mechanism, that guides individuals and firms to choose successful actors, and to avoid unsuccessful and untrustworthy ones (Nunlee, 2005; Larson, 1992). Another explanation may be found from the social exchange theory. Referrals for instance can be viewed as reciprocated favours from one colleague to another, where the referrer, according to the equity view of exchange, expects to receive similar favour in the future from the referred (see e.g. Ruy & Feick 2007, 92)

## 2.3 Mode of third actor activities

The third actor extends an influence on relationship initiation by sharing experiential information about business actors and by mediating its contacts with others. These key activities can be prompted by either the buyer or the seller, who are supposedly the active parties in relationship initiation, but as the study of Ellis (2000) indicates also the third actor can be the initiator. Helfert and Vith (1999, 554) suggest that a customer can contribute actively to the market access of the supplier company by providing leads for its network partners and by bringing members of the two companies together. Alternatively, a customer may influence passively through its good reputation or image that

contributes to the market access of the supplier or by allowing the seller to use its name for instance in advertising. It may be assumed, that these two modes of activity also concern other third actors than customers. However, not all relationships are results of intentional actions; initiation can also occur by coincidence (Warsta et al., 2001).

## 2.4 Role of thirds in the initiation

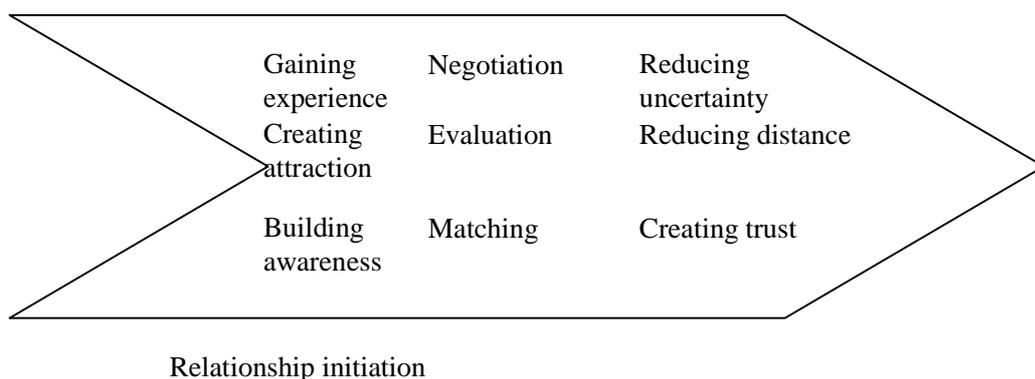
Initiation is potentially a blurred phase that involves various actors, different episodes and communication between various individuals and firms. The relationship may start from the first contact but also a long overture before the first deal is possible. Years may elapse after the promising first contacts; the latent and dormant relationships of a firm and the opportunities that these enable may be activated when needed (Holmlund and Törnroos, 1997; Warsta et al., 2001; Halinen, 1997).

In models of relationship evolution the initiation process is typically described in terms of stages, states or processes. In these descriptions a number of factors and activities are emphasised as key aspects of initiation. If the third is to have an impact on initiation, its role is expected to be linked to these key aspects.

In the most cited stage-models the initiation process advances through one or two phases from ignorance to the first negotiated deal. Ford (1980) separates a pre-relationship stage and early stage and Dwyer, Schurr and Oh (1987) the phases of awareness and exploration. In the pre-relationship stage (Ford 1980) customer starts to evaluate new potential suppliers. Evaluation is conditioned by experience with previous supplier, uncertainty about potential relationship and distance between customer and potential supplier. During the early stage the parties negotiate about the first delivery, they are likely to have only little experience of each other and uncertainty is high. In the Dwyer, Schurr and Oh (1987) model, parties recognise each other in the awareness phase, but they do not yet communicate, whereas in the exploration phase, where attraction is formulated, parties communicate and bargain, and norms and expectations are developed. Furthermore, in models of professional service relationships, Yorke (1990) depicts initiation as a transition from ignorance to interest, and Halinen (1997) emphasises uncertainty and the emergence of attraction and initial trust.

Wilkinson and Young totally reject the idea of stages and introduce the concepts of business dancing (1994) and business mating (2005) to relationship formation. The mating metaphor emphasises the search for compatible partners, whose characteristics make a good match. During the formation process, the parties evaluate their potential match; they get involved in a joint choice, i.e. choosing and being chosen (Wilkinson et al., 2005). Elsewhere in the literature the matching process is described as mutual partner screening (Warsta et al., 2001) and mutual evaluation where both parties assess the goals, attractiveness and performance of each other (cf. Ford, 1980; Dwyer et al., 1987).

On the basis of the literature review at least nine key processes can be distinguished as essential in the initiation of a business relationship (See Figure 2). At the same time, this literature remains silent about the role of third actors in the initiation process. It could be assumed that the role of the third party is linked to some of these processes.



**Figure 2 Key processes in the iniation of a business relationship according to relationship development literature**

In the formation of a business relationship, it is also question of buying and selling. Traditionally thinking the buyer makes a choice between a supplier and a seller tries to make oneself an attractive alternative on the market. From a seller's viewpoint the processes of initiation relate to marketing communication, selling and prospecting, since during the selling process a seller identifies potential customers, preapproach and approach them, and presents the firm and

the product (Moncrief & Marshall., 2005). From a buyer's viewpoint, initiation relates to the buying process where the buyer identifies alternatives and evaluates them, and builds a "short list" of most potential providers for further negotiations, proposals and presentations. The buying and selling literatures give further support to the processes in Figure 2.

### 3 METHODOLOGY

An abductive study was conducted to explore the involvement of third actors in the initiation of business relationships. The starting point was to study references and customer acquisition in professional business services but decisive empirical findings in the first interviews launched a "re-direction" of the study as described by Dubois and Gadde (2002). Respondents repeatedly emphasized parallel use of several information channels as sources of information about previous service transactions and relationships. Therefore the focus of the study was directed to the sharing of experience more generally and to the role of external third actors "behind" this process.

A multiple case strategy was used to study relationship initiations in several professional service industries and in connection with several types of thirds. In this study, the case refers to relationship initiation that has emerged from referral and reference activities and thereby through the involvement of a third. Even if the focal phenomenon is seen as interaction between at least three actors – the service provider, the new potential customer and the third party – the number of informants used in each initiation ranged from one to four. Because of the sensitiveness of the topic and different initiation situations, in some cases, only one actor's view of the initiation was obtained while in some other cases even four actors were interviewed.

Empirical data consists of interviews with the episodic narratives and written material of case organisations that was used as secondary data (reference material, brochures, press releases, web-pages). Twenty interviews were conducted during summer 2005–winter 2006. Service providers, customers and the referees as third parties were interviewed. The studied professional service organisations and buyer organisations varied in size from small micro-entrepreneur enterprises to large international firms. Informants at the buyer's side were mostly entrepreneurs or from top management. Informants at the sellers represented the following professional service industries: designing, industrial designing, advertising, interpreting and localisation, engineering consulting, landscape consulting, software engineering and consulting, accounting and corporate banking.

Interviews were focused episodic interviews without a strict structure. In episodic interviews (Flick 2002), the questions in the usual sense of the word are not asked, but instead the interviewer periodically invites the informant to the present narratives or chains of situations. The emphasis is on the informant's spontaneous narration, but narrative elements are complemented by questions concerning more abstract relations. Flick (2002) emphasises that open interview and episodic interviews are clearly separate methods, because of the "not-asking" role of the interviewer and the structure of narratives. Narratives are stories with beginning, middle and ending, where the informant places the phases and elements of stories in their context and produces also causality. The narratives thus ignore the structure of the interviewer and points out the structure of the interviewee. Instead of long biographies, episodic narratives concentrate on shorter sequences of events (Flick, 2002, Goffey & Atkinson, 1996). According to Flick (2002, 109) "episodic interviews seek to exploit the advantages of both the narrative interview and the semi-structured interview", since *narrative parts* act as an approach to the experiences relevant to the subject under the study and key *questions* of the interviewer direct the interview.

In the interviews, the primary intention was to inspire informants to produce episodic narratives about initiations with important third external actors, but also questions about each company's history, service, markets and initiation in general were posed. The questions concerned themes such as: focal professional service itself, customer acquisition practices (service providers), buying practices in general in focal service industry (buyers), important relations and networks in initiation, forms of delivering reference and word-of-mouth information, used reference practices and perceived recommendations (buyers). Because of the abductive "learning" process, more focused questions were defined during the research process.

To stimulate informants to narrate and to guide them to the research topic, the interviewer can communicate the specificity of the interview by using material such as a text or a picture and listen actively by signaling interest (Flick, 2002). In this research, the triad-picture was used as a stimulator and informants spontaneously made their own triadic-drawings during the interviews. Humour and responsive comments were used to create a responsive and friendly atmosphere. Interviews were tape-recorded and transcribed. Some follow-up questions were made via telephone or email. Each interview lasted about one and a half hours.

Both the narrative approach (Flick, 2002) and the systematic combining (Dubois and Gadde, 2002) emphasise the

role of gradual sampling strategy, where the sample structure becomes defined during the research process. In this study, the cases and informants were chosen according to theoretical sampling, where informants “are selected according to their expected level of new insights for the developing theory” (Flick 2002, 64). Also snow-ball technique was used: usually first contact was made with the seller and after that the buyers or referees mentioned by the seller were contacted.

The analysis of the study follows the abductive research strategy; the dialogue between empirical data and theory guides the analysis, even if the empiria has a decisive role. Abduction and systematic combining (Dubois & Gadde, 2002) differ from the grounded theory approach (Glaser & Strauss, 1967) in its focus on developing existing theories, not on generating new ones. In theory generating studies the categories of analysis are developed from the data. In theory confirming studies the literature enables to propose theoretical frameworks for trial in the analysis. In theory developing studies, which this study represents, the theory aids the researcher to discover new things. Therefore the researcher is expected to take advantage of the systemic character of theoretical models also during the research process (Dubois and Gadde, 2002). In this study, the ultimate goal is to locate existing theories and concepts, where third actors are considered, to elaborate these by searching new connections between the concepts and theories, and to find new categories to describe the involvement of thirds.

In abductive studies, the data collection, analysis and the search for complementary theories can be parallel processes, since the main characteristic of this approach is “a continuous movement between an empirical world and a model world” (Dubois & Gadde, 2002, 553–559). “The researcher would not be able even to identify ‘all the literature’ since the empirical fieldwork parallels the theoretical conceptualisation” (Dubois & Gadde, 2002, 559). This was characteristic also to this research process. Because of the strong empirical foundation and large amount of interviews, computer-aided analysis with QSR N’Vivo was utilised. The analysis begun with open coding, where the first elements and actors of initiation were identified and first potential themes and approaches were chosen. After further reading, these themes turned into categories where theory-based and data-driven categories were merged. Thus, in the second phase of coding, i.e. in selective coding, a more structured analysis was conducted, but still with parallel reading of the literature and analysing of the data. As Dubois and Gadde (2002, 554), puts it this was “about going back and forth between framework, data sources, and analysis” in order to find a match between theory and empirical reality.

#### **4 PROMOTING THIRDS IN RELATIONSHIPS INITIATION: ACTORS, THEIR ACTIVITY MODE AND ROLES**

So far we have maintained that third actors promote business relationship initiation by sharing their experience and by mediating contacts with potential buyers and sellers. They offer their past experience of a buyer or seller to be used in evaluating the potential of the opposite number as a partner in the future business. Being external to the emerging relationship third actors are perceived as credible sources of information.

The empirical study conducted in the professional business service context provides further understanding of the involvement of third actors in relationship initiation by answering the following questions: What kind of thirds can have an impact on initiation, how active they are during the initiation and what kind of roles they play in it.

##### **4.1 Type of third actors**

###### ***Person-organisation dimension and representational classification of third***

As a starting point, we propose that the third actor can be an organisation on the basis of economic exchange, or person, on the basis of social embeddedness. However, data indicated that there were more categories for thirds. The third could be a person or an organisation, but also a person on behalf of an organisation or a person as a representative of a certain industry or profession. Even a work as an artifact could be considered as a third. When the promoting third was a **person**, it could be a business acquaintance, entrepreneurship friend or an expert.

*There is Federation of [national] Entrepreneurs, and there is Federation of West-Coast Entrepreneurs and every town has ‘Entrepreneurs’. It can be someone of his entrepreneur friends from there [who recommends]. The other can be a digger contractor and other can have software business.*

Some people may have especially wide relations. For example, the CEO of an advertising agency mentioned that it is worthwhile to know persons, who know widely people on related industries, such as media, media agencies, printing houses etc. This gets also support from the literature. According to Uzzi and Dunlap (2005) social networks deliver

three unique advantages: access to private information, diverse skill sets and power. Sometimes there are powerful “superconnectors” or brokers who share their diverse contacts. They are not in positions of formal authority but may extend an important influence on business relationships through their wide relations.

On the personal level, social personal contacts, such as friendships, are important (Money, 2000), but in the literature social relations are usually defined as “social” in general, but the essence of social relationships can vary widely: e.g. in Wong and Ellis (2002) empirical study, the social ties that connected intermediaries to both dyadic parties and created the grounding for a new business relationship, were based for instance on relative relationship, friendship, business acquaintance, class mate relationship, and former workmate relationship.

Contrary to earlier results by Wong and Ellis (2002) or Money (2000) friends or relatives were seldom in the promoting role in the studied cases. Relations to third actors always had some kind of professional or organisational dimension. The “meso-level” between personal and organisational levels seemed important. Thus a **person as a representative of an industry or a profession** was often identified as a promoting third. In these cases, the promoting people were representatives of specific knowledge and relations of a certain industry or profession, as mediators of this knowledge had an important role in initiation. For example, people related to design industries promoted industrial designers, because utilising design widely in various sectors and design itself were important for them. Also financial managers in large companies asked each other’s experiences about banks.

*Especially these designer colleagues have plenty of good customers and they are appreciated in these enterprises. I have clearly gained 2 – 3 new customers through these designer acquaintances. Essentially there are even more, but all the assignments have not realized yet.*

*Finance managers in large companies talk about their experiences with each other. They do not seek information only from banks but they also ask people, who have had the similar position, about how does this work and do you have experiences.*

In earlier research, business “insiders” (Money, 2000) and professional acquaintances, such as technical representatives, other organisational buyers, technical experts and experts of related industries (Henthorne et al., 1993) have been acknowledged to be sources of referrals and information.

Also a **person on behalf of an organisation** could be the promoter. In these cases, the person was appreciated because of his experience and status in a certain organisation. Names of the organisations where these persons worked were mentioned.

*I counted on that company A [grain co] knows because this N.N. was involved there. N. [first name] said that they [engineering company] are able to handle it. They gave even the name of the consultant, who has designed their previous projects.*

The **organisation** (the name of the reference customer or organisational referee) could also act as a third. For example, the translation agency got an assignment from the advertising agency because the name of the reference customer was strong enough: *They had made translations for Company B [global electronics co] and everything!* When the third actor has a role purely on organisational level, the name of customer organisation can be offered e.g. as a reference (Salminen & Möller, 2006; Helfert & Vith, 1999). However, the data indicated a more varied role for organisational thirds: they were not only reference customers but also other organisations, such as partners. If the third actor was a known organisation, the image and trust related to this third was transferred to one party of the potential dyad. The translation agency was a new actor on the local markets, but entered the markets with assistance of a known actor: *I knew that [local] Area Development Centre had supported them when they were entering the town, and therefore I knew that the agency was quite decent.*

Sometimes, the person or the organisation itself is not key issue; instead, the point is the **realised work for the customer**. In that case, the works as artifacts are considered as thirds. For example, a designer gained new customers in Japan because of globally famous glass lamps and watches he had designed. The CEO of an advertising agency also described the power of reference works in order to present the capability of employees: *When a new advertising agency begins the business, it does not have any previous works. However, some people from top agencies will move in there. So, the agency will start the following way: they will present themselves to the certain advertisers with their previous works in their previous agencies. After that, they have clients, even if the agency itself does not have any references.*

The data indicates that in some industries, such as engineering, the actual work can be more crucial than the reference customer, since the performance of a designed reference factory in function and with all operational figures can prove the functionality of the factory. Also in advertising and designing industries the awards were mentioned as promoters. The role of previous works is emphasised in reference literature, where references are considered as proofs of supplier’s capability (Salminen & Möller, 2006). Also an award can be considered as tangible evidence of the agency being industry recognized and also able to produce “winning campaigns” for its clients (Waller et al., 2001).

### *The types of the thirds*

In existing literature, **satisfied existing and previous customers** are often examined as promoting third parties (Salminen & Möller, 2006; Feldman Barr & McNeilly, 2003). However, it is not only customers, who act as a source of positive information:

*Our referees are mostly previous customers and co-operation partners. We have perceived calls indicating that the architect from the previous project has recommended us in their new projects. Therefore construction firms are good for our business.*

According to Payne et al. (2005) “referral markets” consists of customer and non-customer referral sources. In this study several non-customer promoters were identified besides customers. The main type of non-customer promoters were **the providers of complementary services and providers of related professional services or other related services or products**. The providers of complementaries had industry-specific information and shared their information further.

*The photographer has been asked who would be a good, appropriate and creative agency for this assignment. The photographer works with tens of agencies. He says, 'Yes, maybe you should contact this agency because it might be the best agency for you.' Some customers have come because printing houses has recommended us.*

Also literature suggests that referrals and word-of-mouth can flow between related industries and related professional services (Feldman Barr & McNeilly, 2003; Henthorne et al., 1993; Herriot, 1992; Money, 2000, Payne et al., 2005, Wheeler, 1987).

It was also found that providers of complementaries could take advantage of the new emerging business relationship. For example, for a business bank, the most important actors were accounting agencies, auditing agencies, law agencies, and national and local entrepreneurship associations; because customers usually needed several services and thus networked service providers could refer each other. The reciprocal referrals of related industries are mentioned also by Payne et al. (2005).

The **competitors or providers of the same service** were also identified as thirds, especially in creative professional services such as industrial design. Also previous literature supports the finding (Feldman Barr & McNeilly, 2003; Helfert & Vith, 1999; Peck et al., 1999).

*Sometimes our competing colleagues recommend us, since they can not accept the assignment if they already are working with the customer's competitor. In those cases it is normal to recommend a competitor, because designers set great store by utilisation of the design in general. If you do not have time or you can not accept the assignment, it is good to see that someone is designing the product. Therefore it is important to achieve the respect from other designers.*

Sometimes, referrals flew among the actors of value chain (Herriot, 1992), and thus, e.g. customer's customer could promote a service:

*The new customer had heard from their subcontractor, that they use us as their translation agency. It was very simple after that, and they sent their files to us to be translated.*

Also some **non-profit agencies** and associations were mentioned as thirds in interviews. Non-profit agencies are acknowledged as source of referrals and new business relations also by Helfert and Vith (1999) and Ellis (2000).

Finally, it is important is to notice that informants reported that several types of “externals” were usually involved in initiation.

## **4.2 Activity mode of the third actor**

When third actor is involved in initiation, some kind of *action* exists; the third actor for example introduces people, recommends or acts as a reference. The third may actively promote relationship initiation or it may let oneself used more passively (Helfert & Vith, 1999). In the empirical data, three activity modes of a third became visible: active, reactive and passive.

- In the **passive** activity mode, the third allows use their name in marketing or in access and this is a typical arrangement in references.

*When we made a contract with Company C [global electronics co], there was a clause that implies that I am allowed to use their name and they are allowed to use my name in marketing. Utilizing names is accepted, but everything else is very confidential and classified. So, I asked afterwards when I updated my web pages, whether I can put their name on my web pages, and they said that of course and they are honoured if I do so.*

- In the **active** mode, the third actively promotes the seller or spontaneously guides the buyer to the seller.

*Company D [translation agency] is a new actor on markets, and I wanted to help them to get contacts. I know how difficult it is to gain contacts, because I remember how difficult it was when I started. So, I thought I can recommend them to others. Of course, everyone who is in business has naturally their own interests too. If I have good contacts, I will use them.*

- In the **reactive** mode, third reacts on the buyer's or the seller's request for information.

*I have given lectures in those organizations. Company E [sawmill] had contacted them and asked if they have any experiences about design agencies. They mentioned a few names. Later on, we were all asked to visit there and give a presentation.*

Additionally, there were several cases, where the experience or relations of the third could not be used by either the seller or the buyer. Thirds in these cases remain **hidden**: *In banking, references are extremely classified. We are not allowed to tell who our clients are, or **silent**: The Employment and Economic Development Centre is a neutral organization. They are not allowed to refer anybody to anyone.*

In the literature parallel notions of silence are made. Helfert and Vith (1999) maintain that some customers are very reluctant to share information on their partners with their supplier and also Salminen (1997) state that some references are classified. This was for instance the case in references of a landscape consulting agency: the agency was allowed to present the outlook and the location of previous works, but using the names of famous customers was not allowed. The data also indicate that some non-profit organisations could not promote initiation by sharing information or by using relations. For example, the project manager in a large saw mill tried to find a wood-specialised industrial design agency and asked referrals from several non-profit organisations specialised in design and wood. However, the organisations were not allowed or willing to refer.

### 4.3 Role of the third actor in the initiation of a potential relationship

On the basis of the data, twelve roles of thirds were identified in the initiation. The roles are scouter, awareness builder, need creator, access provider, accelerator, advocate seller, match maker, trust builder, evaluation assistant, expectations builder, risk reducer and provider of concrete evidence. These are shortly described next.

#### Scouter

During the initiation, the first step for the seller is to find potential customers as proposed in selling literature. The scouter role of thirds suggests that thirds can look for potential customers for sellers.

*I was participating in the professional trainer –programme. There were about twenty consultants in the programme, and together we even founded an association. They chose me for the chairman. That group has been a foundation for new business. Those consultants are running around in several enterprises. They become aware of their needs and give hints to others once in a while.*

The scout function in customer-relationships means that suppliers obtain meaningful information from outside of the organisation (Walter et al., 2001), and this can be extended to other than customer relations as well. This information can be used e.g. in prospecting, where referrals, networking and asking current customer and acquaintances for names of potential prospects are typical methods (Jaramillo & Marshall, 2004; Moncrief & Marshall 2005). Thirds can thus be involved in prospecting by offering relevant information.

Related to scouting, also screening of potential partners was found relevant, for which the results of Ellis (2000) from foreign market entry and Warsta et al. (2001) from partner screening also provide support. In relations and networks firms gather superior information on each other and identify each other's capabilities and prospective partners through referrals networks (Gulati et al., 2000).

#### Awareness builder

Thirds can build the awareness, since dyadic parties need to be aware of each other in order to initiate. In the phase-model of Dwyer et al. (1987) during the awareness phase "party A recognizes that party B is a feasible exchange partner." The data suggests that awareness is built with reputation, reference works and referrals with support of third parties.

*The general publicity and some articles have enhanced some new business relations. I do not present my customers on my web pages so much. For example, Company C [global electronics co] became my customer because my previous works, especially watches, were widely featured in media in Japan.*

In the buying process of professional service, one of the first stages is identification of alternatives (cf. Edvardsson, 1989; Day & Barksdale, 1994). The data indicates that awareness can be build more passively through references or publicity, or more actively through referrals.

*The circle of business people is quite small. We do not know everyone, but we do know a lot of people. And they know more people, and so the message is further carried. We have also been noticed by the media and business magazines and it counts, too.*

### **Need creator**

A reference or a referral of a third can create the need for a professional service as described in the following extract from the data:

*Reference descriptions are very important to the entrepreneur customer who has not previously utilised design in its business, because they note that 'okay, even in our scale design can be advantageous'. The typical image is that only large enterprises can benefit from designing. On the other hand, if they have used design previously, reference descriptions give a hint how design can be integrated in their business even more effectively.*

Relationship-stage-models (Ford, 1980; Dwyer et al., 1987) take the existence of the buyer's need as given, but in professional services, the buyer does not necessarily recognise its need. The need will be recognised if a problem occurs or the client is made aware of this by a consultant (cf. Edvardsson, 1989; Day & Barksdale, 1994). Our findings thus suggest that also the third party can have a role of need creator and for instance references may play an important role in need arousal as well as in definition.

### **Access provider**

The access provider role implies that the third actor can offer access, create the contact or help to create the contact. The access can be based on social relations or the experience of the third actor.

*One contact emerged in the following way: I had previously worked for a local firm. It was quite small case, nothing big at all. They were extremely satisfied. The guy, who was responsible for marketing in that firm works also in firm located in capital, and he presented me there as well.*

This kind of access provider role of third actor is supported by market function that implies that seller gains access to new markets through the referrals and recommendations from current customers which support a supplier to enter new markets and to establish commercial relationships (Walter et al., 2001). Customers as access providers are mentioned by Helfert and Vith (1999) and Warsta et al. (2001). The very first customers of start-up-firms or especially large and prestigious customers which are known to apply stringent criteria to their selection of supplier companies may have a valuable reference effect.

Access is grounded on connectedness, since through bridging (Smith & Laage-Hellman, 1995) and indirect relations (Ritter, 2000) the third has connections with a network actor in whom the focal organisation is interested but not connected to or with whom it has an inadequate relationship, and the bridge or connected actor can provide the access. Access can be built on *social relations* of well-known actors in the business field (Warsta et al., 2001), and on recommendations of door-openers (Halinen & Salmi, 2001). Access can be based also on *previous experiences* of thirds, since reference works and names of customers themselves may offer access to new customers (Warsta et al., 2001; Helfert & Vith, 1999; Walter et al., 2001). They provide evidence of capability, like in the following situations:

*Good references are the best way to get somewhere in new business relations. If I call A [milk product co.] and tell that we have made fine campaigns to their competitors on food industry, and they recognize these campaigns, they will receive me. They think that we have capabilities on that industry.*

*References are important, absolutely. The customer thinks that because I have worked with those and those customers, it is an advantage, and I am accepted to work for certain kind of brands.*

In an access provider's role, the third can actively, reactively or passively aid the seller to approach the customer, i.e. by offering referrals or arranging introductions (Moncrief & Marshall 2005), or by contacting the prospect to arrange sales interviews as an intermediary (Jaramillo & Marshall 2004). Also the seller can use the name of the person who referred the prospect, which usually facilitates approach and access (Jaramillo & Marshall 2004). In referrals, customers are advised to use services or products of another firm (Herriot 1992), and this can often change the atmosphere of the interaction from "selling" to more "consultative" (Boles et al., 1997), and also this may support the access.

### **Accelerator**

The initiation can be long and months and years may elapse after promising first contacts (Holmlund and Törnroos, 1997; Warsta et al., 2001; Halinen, 1997). Therefore, third actor can accelerate the initiation. For example, referrals can make the start faster:

*There are certain communities and events et cetera, where marketing managers and product group managers meet. If you have a couple of good referees there, this word-of-mouth can provide a good contact that is equivalent to several months of selling.*

### **Advocate seller**

The third actor can act as an advocate sender of marketing messages. The third actor can deliver marketing information about the work, the process and relations and thus support the seller.

*Sometimes we arrange seminars where previous customers and potential new customers meet, and there previous customers infect information to potential customers about us.*

The thirds are especially valuable agents in marketing professionals since they are considered as un-commercial sources of information (cf. Feldman Barr & McNeilly, 2003; Waller et al. 2001). The credibility of outside independent experts who attest to the quality of the purchase is higher than those individuals formally representing the organisation, and this counts even in case they become “an auxiliary sales force” for the seller (Henthorne et al., 1993).

*Reference visits are often crucial, because it convinces the customer that our software is in heavy use somewhere. In that situation, our customer acts as a seller and we try to stay quiet, and let the existing customer talk to the potential client.*

Sometimes, also lack of marketing skills and marketing resources in professional service companies (Szmigin, 1992) may emphasise the role of the thirds. In traditional SME-sized professional service agencies there is usually nobody specifically trained in marketing, and in this situation, promoting thirds can supplement marketing resources:

*The electrical wiring designer or architect from previous projects has sometimes recommended us into new projects, and if we have made quality work, the new projects will come straight to us. So, we don't need to do anything else but sustain the high quality of the work.*

The testimonials in business markets (File et al., 1992) can be considered advocate sellers, because the customer clearly promotes suppliers business, like in banking:

*We have had advertorials with entrepreneur organizations. In entrepreneur journals we have stories where a customer praises us and our services. Of course, we try to find such customer who truly likes us. Advertorial is commercial, yes, but still it differs from advertisements.*

### **Match maker**

When third actors act as matchmakers, they evaluate the fit between potential parties or aid the parties themselves to evaluate the fit. Matchmaker might identify the most suitable party, build awareness and also bring the parties together, which means that the matchmaker's role is linked to those of awareness and access builder. On business field it is about “knowing the people” and “knowing their capabilities” (Larson, 1992) and matchmaker has this information and utilises it, like the following extract illustrates:

*We print these plans in a printing firm. We printed there already when we studied this profession. We became friends already years ago, and once he said 'have you ever heard about construction project consulting firm called "X", they do exclusive and good works'. We hadn't heard of them but we immediately checked them through internet, and they really made quality works!*

Even the insight of the trading opportunity and identification of suitable partners may first be noticed by some mutually related third party, not the potential exporter or importer, and thus the third party brings the potentially “matching” parties together (Ellis, 2000; Wong & Ellis, 2002).

Referral actions or introducing (Herriot, 1992; Helfert & Vith, 1999) are matchmaker's activities to connect matching parties. In professional services, recommendations and referrals have been the most relevant ways for both parties to appoint and find a compatible partner (Feldman Barr & McNeilly, 2003). The interviews additionally suggest that also reputation created by thirds can “match” the dyadic parties.

*There are rumours floating among people involved in marketing. And people listen to these rumours when they are seeking certain type of designer instead of seeking designing in general. Hence, we have reputation that we ourselves are not aware of. We just get the call. Hence it is difficult to know, what kind of reputation we have and what kind of type designing we are known of.*

The match maker uses its relations and experiences self-reliantly, but the data indicates that also the “matched” party usually trusts on match maker's evaluation:

*I appreciate all our partners with whom we co-operate. They are fantastic people. If they recommend us to someone, I can count on that it will be a good assignment.*

### **Trust builder**

The third actor transfers trust by offering an external “statement” about trustworthiness:

*We base our business on that we are trying to gain a solid mutual relationship with the customer. Thus, the references are not so valuable for us, but the referrals are, because if someone - who you know and trust - gives a recommendation, that recommendation counts more than anything. There is no other way to present your superiority than through the previous client's statement.*

Trust is crucial in the relationship development, and implicit reference to trust is related to expert and referent power and reliability of threats and promises (Dwyer et al., 1987). Since professional services involve “intimate exchanges” and client involvement in producing, perceived trust appears to be an antecedent necessary to start a relationship (Rosenbaum et al. 2006; Halinen, 1997).

Trustworthiness can be proved through i.e. gained appreciated customers (Salminen & Möller, 2006; Warsta et al.,

2001; Boles et al. 1997), and high profile or long term customer (Yavas et al., 2004). Trust to new customers is established also through reputation, which is also called as trust signal (Edvardsson, 1989) in professional services, and as social control mechanism in business markets in general (Nunlee, 2005; Larson, 1992). Empirical evidence proved that references, general reputation as well as oral referrals built trust.

Larson (1992) divides trust into two elements: social aspect “knowing the people” emphasises the social relations in trust and economic aspect “knowing their capabilities” emphasises skills, performance and capabilities. In professional services, customers cannot easily appraise a provider’s trustworthiness in advance and thus they must rely on a professional service provider’s training and reputation when determining capability (Rosenbaum et al. 2006). In the following initiation, knowing the people also confirms the capability of service provider:

*Just now I have a new emerging relation, but they are very careful. They even said to me, that they had a very bad experience with a newly-graduated designer, and this had an impact on my assignment. Because I was previously known and referred, they trusted me. If someone refers to you, it is a powerful thing.*

It there is no personal trust, capability related trustworthiness of the service provider have to be proved through e.g. references:

*Some clients are satisfied if I present a couple of our luxury assignments and I can say that I have made these. It is usually enough to build the trust.*

According to Uzzi (1997, 48), actor with an embedded tie to two unconnected actors acts as their “go-between”, who “rolls over expectations of behaviour from the existing embedded relationship to the newly matched firms and “calls on” the reciprocally owed him or her by one exchange partner and transfers it to the other. In essence, the go-between transfers the expectations and opportunities of an existing embedded social structure to a newly formed one, furnishing a basis for trust and subsequent commitments to be offered and discharged.

### **Evaluation assistant**

The third actor may help the new customer to evaluate quality, since intangible and knowledge intensive service outcomes and processes are difficult to evaluate in advance. In following example, previous works assist buyer to evaluate the offering of a landscape consultancy:

*An architect does see straight, whether this is good or not. But to the others, who are not experienced, we have to build the quality image through references by telling what we have done and to whom and where. This makes the customer more convinced. The customer wants to see, whether the price corresponds the outcome. The customer wants to see that if they pay more, do they also gain more.*

In professional services, because of information asymmetry and credence qualities the buyer typically uses external information such as the personal experiences and opinions of former customers and other experienced business actors in evaluation, delivered through word-of-mouth (Lapierre, 1997; Day & Barksdale, 2003; Mitchell, 1998). Especially in new task situation, buyers making less frequent purchases rely more on referrals from satisfied clients in evaluation (Dawes et al., 1992). Through referrals, word-of-mouth and reputation, the buyers may obtain sensitive information about the seller. Because through social contacts and personal face-to-face interaction people get informal and confidential information (cf. Halinen & Salmi, 2001; Uzzi & Dunlap, 2005), it is quite natural, that word-of-mouth is an important source of information for potential customers. References presented by the seller party cannot offer such information. Data indicated that word-of-mouth was appreciated over the references in evaluation, even if both were used.

Previous experience of the third actor can be considered as a comparison level to evaluate the quality of the service. For example, references can serve such a role and assist in evaluating certain quality-price relationships (Salminen, 1997). Experiences of a third also form the expectations of the customer.

During evaluation, customers use evaluation criteria, evaluation checklists and selection factors. Typical criteria of professional services providers are experience in a certain field and industry, results (solutions and previous work), competence and professionalism, schedule, price, creativity, reputation, social ties, and presentations (Day & Barksdale, 1992; Edvardsson, 1989; Dawes et al., 1992; Lapierre, 1997).

*During presentations, I have to figure out, where the potential customer needs more support on their decision. I have to figure out, what the customer is looking for. By choice we choose those references, where we have good results confirmed with figures, such as growth in sales or in number of members.*

Previous successful works, experience and knowledge of the client’s industry sector are required and weighted (Day et al., 2003; Edvardsson, 1989; Mitchell, 1998), and reference works and customers as thirds can prove their existence. For example, a designer had previously worked for glassworks and he had also designed other known products of glass, and because these thirds, he gained new customers, such as global alcohol brand and national alcohol company, and designed new liquor bottles for them, because he knew “*what is typical for the glass as material*”.

The existence of appreciated reference customers can also support the evaluation, since large and prestigious customers which are known to apply stringent criteria to their selection of supplier companies may have a valuable reference effect (Walter et al., 2001). The data includes similar notions: If the customer in a known large company that has more resources to execute competitive bidding between agencies, and they still use us, it is valuable. The customers' names themselves are important information in evaluation because they tell the prospect what kind of customers the service provider has: *We have written reference lists, where the names of companies and brands are presented. Therefore customer can figure out at a glance with what kind of firms we work with.*

### **Expectations builder**

The third actor may help the new customer to build expectations. In business service industries, it is difficult for the customer to figure out the outcome of a service and the service process in advance, and equally, it is challenging for the service provider to represent the outcome and process to the customer beforehand. Thus, the thirds can clear the expectations of the buyer like the following statement illustrates:

*In our business it is extremely crucial, that there is an agreement about what will be sold and bought. So we have to be able to describe in advance, what this case will be, what we are going to do to you and what you will get with your investment. In this, the references are important.*

Expectations of professional services may sometimes be fuzzy instead of clear and explicit, or unrealistic instead of realistic (Ojasalo 2001), and in these situations customers do not have a clear understanding what they expect or what is realistic to expect from the service provider. Hence, the third actor may be crucial aid in building realistic and explicit expectations, that are acceptable for both parties. Warsta et al. (2001) connects references and contacts with relationship-level expectations (the expected efficiency and benefits to be gained from the relationship) and comparison (previous transactions indicate the costs and risks related to the relationship). Thus, expectations can be directed at the whole relationship, not only at the service.

### **Risk reducer**

Risk reducer role implies that thirds can reduce risk by offering actively or passively risk-reducing information. Data indicate that thirds can participate in risk reducing in several ways; opinions of experienced thirds or the previous works and established relations that thirds represent, can reduce the risk perceived by the buyer:

*Well, the customer wanted to know the references, what they have done before and whether they were good. It is quite normal practice. People don't hire just anyone.*

During buying and evaluation process, the buyer of professional services uses risk-reduction strategies such as choosing the leading firm in the field, asking to see similar work done by the firm or obtaining colleagues' etc. opinions of firm (Mitchell 1998). The study indicates that especially similar works as risk reducing thirds were important in initiation. Following example describes how similar works for previous customers reduce risk in engineering:

*The customer has made the calculations about productivity and return on invest, that in based on assumption, that the factory will operate at given capacity. It is total disaster if that do not happen. Therefore, the customer needs to be assured; that they are buying their plans from an agency whose production plants operates also in practice. We have references in operation that proves that we have designed factories in several countries and they are in operation.*

Respectively, supplier can use the opinions of other buyers as a risk reduction strategy through reference practices (Salminen & Möller, 2006). These both aspects occur in the following case describing how references of service provider reduce risk perceived by the new customer:

*If a large customer uses a lot of money in advertising, it tells something about our quality through those reference works. If a new customer throws in its lot with us, it will not be a risk.*

### **Provider of concrete evidence**

The provider of concrete evidence implies that a third actor may tangibilize the intangible service. Past assignments and customers can act as "examples" of performance and give information about the result and outcome of the process. In professional services, the recognised need of buyer is transformed into a solution (cf. Edvardsson, 1989; Day & Barksdale, 1994), and because the solution will be customised, both parties have to come to a consensus on what the "intangible solution" might be in a given case and what kind of process, interaction and relations would be needed to attain it. Because of the high degree of customisation, the service is usually complex. Data indicated, that both the outcome-related technical "what"-dimension and the process-related functional "how"-dimension (cf. Grönroos, 2000) have to be opened to the less-experienced customers. In creative professional services providing concrete evidence is crucial, especially when the customer is buying the service for the first time:

*Some of our customers have never seen this kind of plan. Then it is the simplest to show what we have previously done and explain that also you will get this kind of solution, and it will include this and this, and the process goes this way.*

Even if new customers are experienced, still the potential solution needs to be presented, and during selling, the supplier must demonstrate an ability to resolve the customer's problem. The solution and the process can be represented with reference works, or previous customer can give user information about solutions through word-of-mouth. For example, the buyer of engineering services wanted to maintain their facilities and buy plans only for the new automatic production lines in order to replace the old manual production lines, and the engineering agency tried to convince them that the new technique does not fit in the old facilities. The third expert actor and a visit to previously designed factory cleared this to the customer.

The concrete examples and presentations can make intangible professional services more tangible and illustrate the solution with its value to the customer, like in project consulting:

*With references, we are able to present what we have done and what it has cost and how long the planning and execution usually last.*

Especially value-creation process of professional services is challenging, because numerous benefits and costs can be only be examined after the transaction (Lapierre, 1997) and therefore service provider firm may need to stress tangible cues.

*If we can tell through reference cases how much a previous customer's business did benefit from design, it certainly interests the entrepreneur. They think that we can truly enhance their business.*

However, the reference case as a tangibilizer can also "lock" the thoughts of the customer, suspects a senior industrial designer:

*Actually, according to my experience, if the customer is already hooked, you should not present other customer's projects any more, because the customer is afraid that you will replicate those previous cases. Therefore reference should be used only in order to gain the customer.*

The importance of references as "tangibilizers" is rising because of technological complexity, high knowledge intensity and tailor made projects that challenge contemporary industries. They can utilise references to prove their capability and to demonstrate unique and complex high technology products or knowledge intensive services to the buyers (Salminen & Möller, 2006). The seller can use references when he presents and visualizes the selling point and presents the potential solution (cf. Moncrief & Marshall, 2005; Salminen, 1996). In sum, third actors, such as reference works, can offer a tangible tool to present the potential solution, the service process and its value to the customer.

## 5 THE RESULTS AND DISCUSSION

In this paper, we have provided an analytical description of the status and function of third actors in relationship initiation maintaining that third actors share experiential knowledge about past transactions and relationships and mediate contacts between business actors. The third has experience about one or both parties of the emerging dyadic relationship and shares this experience with one of the parties through one or more channels of communication and networking. This experience is valuable for potential buyers and sellers because it is mediated by an external and, therefore, credible party and, although based on past transactions, it has relevance for the actors' future business.

Previous literature distinguishes two types of third actors: an organisation on the basis of economic exchange, and a person, on the basis of social embeddedness. In the study the meso-level between persons and organisations was found significant and further categories for thirds were identified: a person on behalf of an organisation and a person as a representative of an industry or a profession. Moreover, a realised work as an artefact was seen as a third.

Previous research suggests that personal networks and contacts have an impact on initiations. Our findings confirm this but also reveal that social relations are particularly influential when they are embedded in professional and organisational relationships between the third and the seller or the buyer. The persons as thirds are trusted as an information source because of their expert status and social ties. They are external to the dyad and act without monetary rewards, but at the same time they are insiders of some industry, profession or organisational network and able to provide credible and potentially sensitive information.

The results also indicate that existing and previous customers form an important group of thirds, but that non-customer actors, such as the providers of complementary services, related professional services or other related services or products are also important. The providers of complementaries may offer valuable industry-specific information. The competitors or providers of the same service may also act as promoting thirds, often with an intention to promote the industry as a whole. Sometimes crucial information comes from a customer's customer or a non-profit organisation, who may give referrals but whose opportunities to promote are restricted because of its non-profit nature.

Previous literature acknowledges customers as both passive and active thirds. Our findings show that, also other types of actors may get involved as thirds and in various ways. Four activity modes in relation to information sharing and networking get support from the data. In a passive mode, for instance, the third allows to use its name, in an active mode, it participates actively in the initiation by introducing potential parties, and in a reactive mode, it responds to the potential buyer's or seller's request for information. Fourthly, thirds may also remain hidden or silent, denying their role as thirds like sometimes happen in case of non-profit organizations.

From the data, twelve roles emerge as significant for thirds in the initiation: scouter, awareness builder, need creator, access provider, accelerator, advocate seller, match maker, trust builder, evaluation assistant, expectations builder, risk reducer and provider of concrete evidence.

As expected, some of the identified roles relate directly to the key processes of initiation described in the literature on buyer-seller relationship formation. These are the roles of awareness builder (cf. Dwyer et al. 1987), match maker (cf. Wilkinson & Young 2005), evaluation assistant (cf. Ford, 1980), trust builder (cf. Halinen, 1997) and even the risk reducer, as it is very close to the reducing of uncertainty between potential business parties (cf. Ford, 1980). The other roles found in the data-driven analysis also get support from earlier literature. It seems evident that some of the roles get pronounced because of the special features of professional services. The need creator (cf. Edvardsson, 1989), expectations builder (cf. Ojasalo, 2001), provider of concrete evidence (cf. Edvardsson 1989) and risk reducer (cf. Mitchell, 1998) get explanations from the professional service and service marketing literatures.

Looking relationship initiation from either the service provider's or the client's perspective – as selling and buying – many of the third actor roles become comprehensible. For the seller building awareness (awareness builder), prospecting (scouter), getting into contacts with the potential buyer (access provider) and presentation of the firm's services and problem solving capabilities (the provider of concrete evidence) are necessary in order to make a sale. For the buyer, need recognition (need creator), identification of alternatives (scouter) and evaluation of the alternatives (evaluation assistant) are necessary steps before an assignment can be specified and subsequently given.

The twelve roles are not clear-cut, separate activities, but function often together supporting a relationship initiation. At a higher abstraction level they relate to four key processes of relationship initiation: awareness building, access, partner matching and specifying the deal. In Figure 3 the potential impact of a third actor in the initiation is presented by connecting the potential roles of a third to the identified key processes. Some of the identified roles have a function in advancing more than one process. The four key processes are necessary for both the buyer and seller in the initiation, but some of the third actor roles are more relevant to either the buyer or the seller and, thereby, essential phases in buying and selling processes respectively (see the vertical axis in the figure 3).

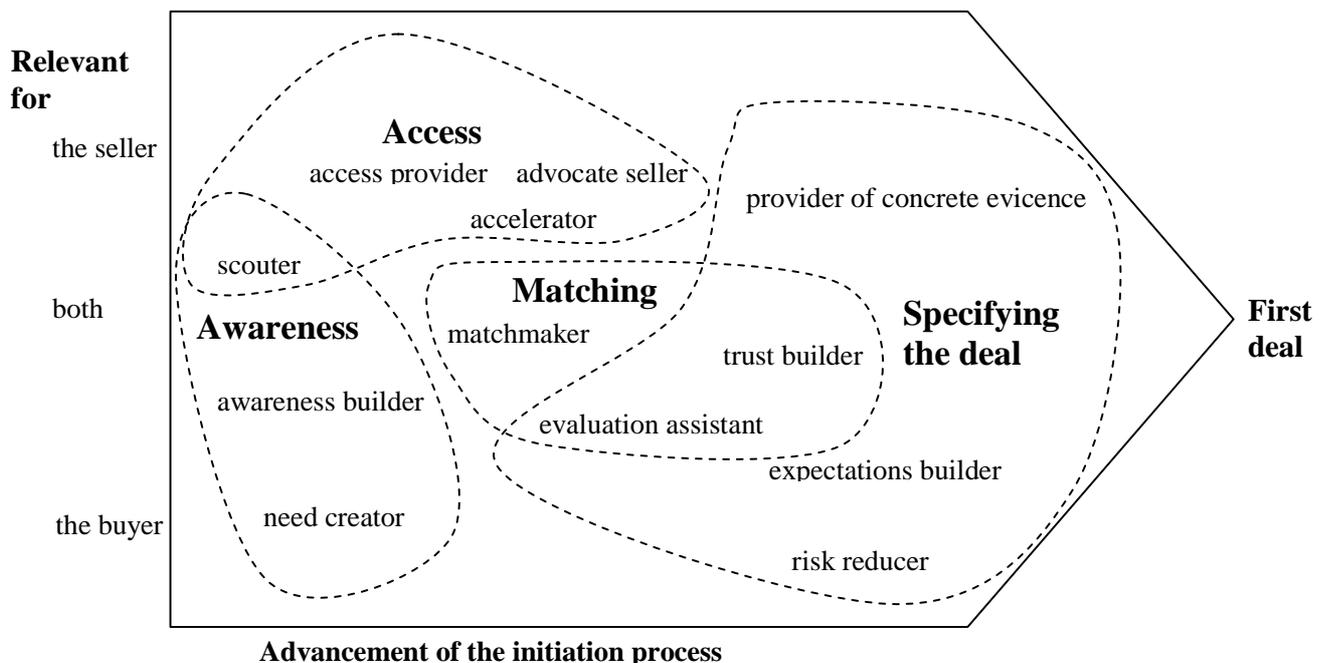


Figure 3 The various roles of third actors in relationship initiation

Some roles, such as scouter, match maker and advocate seller require relatively active participation from the third, whereas the roles of risk reducer, evaluation assistant and provider of concrete evidence may be accomplished by a relatively passive third. Some roles, such as scouter, match maker and advocate seller are usually performed by persons, and some roles such as expectation builder or provider of concrete evidence can be performed by previous works. Some roles, such as trust builder can be accomplished by several types of thirds; the trustworthiness can be proved by a person or a work, or in the evaluation either an expert's opinion (as a representative of industry and profession) or features of previous works may play a crucial role. Access can be created through personal contacts, relations with organizational customers and other partners or successful works. The both customers and providers of complementaries may act in several roles but from a client's perspective customers are likely to be the most influential since they share the customer viewpoint and their own experience as a customer with the client.

A theoretical but empirically grounded description of third actors – their function, type, activity modes and roles – provide a fertile basis for **managerial implications** about how buyers and sellers can take advantage of thirds in their business. As it is difficult for the client to evaluate the trustworthiness of professional service provider, they should actively present their capabilities and existing relationships through third parties. For example, reference cases and descriptions illustrate the outcome, process and the potential value of the outcome to the potential client. Especially the value-creation process of professional services can be demonstrated with references. References, testimonials and word-of-mouth can be utilized in giving evidence of directly economic and also other, indirect advantages of a professional service.

Asking an existing client to refer the professional firm to a potential client may be considered too intimidating in professional service businesses. However if the third is convinced that information sharing and networking also advances the development of existing relationships and valuable industry- or market-specific information is offered as a trade, the third actor may be encouraged to act on its own initiative. At its best, the third actor may help all participating actors to take advantage of new business opportunities and enhancing relationships, if not directly and immediately then at least indirectly and in due course.

Our findings on third actor involvement have value for professional service research in particular but the study raises **important questions** related to relationship initiation research also more generally. The descriptions of initiation provided by existing relationship development models are far too simplified and narrow. They ignore all communication and contacting between the third actors and potential seller- and buyer-parties during the first phases of relationship evolution although these activities are likely to have significant impact on the emerging relationship: they build the necessary awareness, provide access to new parties, and assist in evaluating and finding compatible business parties and in specifying deals with them. The study suggests that the initiation – such as the ending of relationships – is a multi-stage process of its own. The process is potentially ambiguous and time-consuming and involves several third actors as mediators of contacts and sources of experience-based information. Further research is needed to study the process of initiation and the effect of networks and indirectly connected actors on it.

As to the thirds, their motivation and some of their roles deserve further analysis. Elaboration on the connections between third actor types, activity modes and roles might provide interesting hypotheses to be tested in future empirical studies.

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