

Business Interaction: The Double Perspective, Benevolence and Joined Firm Activity

Christopher John Medlin
University of Adelaide
AUSTRALIA
chris.medlin@adelaide.edu.au

Submitted to 24th Annual IMP Conference 2008 - Competitive Paper

Abstract

This paper examines the concept of joint action by introducing the construct of a 'double perspective', where a business relationship is composed of the perspectives of two firms. In the double perspective each firm looks to the self-interest of the other firm in addition to their own and also to their different collective interests. This cooperative activity requires a willingness to participate in a double perspective, where benevolence and problem solving in the other firm's interest are a strong component of interaction. Firms willing to work in the interest of the business relationship and the other firm will be more likely to achieve higher outcomes from joining operations. Relationship performance, a variable that measures the joint performance of two firms in a specific market, allows examination of past and present/future cooperation using a structural equation model. The results indicate a strong association between a firm's past experience with joint activity in other business relationships and participation in a present/future cooperative relationship and a relatively strong association of these constructs with relationship performance.

In final section the theoretical and managerial implications of a firm's willingness to participate in joined activity are considered.

Keywords: cooperation, joint action, benevolence

Introduction

Business relationships are based on interaction, whereby the parties collaborate to achieve outcomes beyond those possible by a single firm. Firms collaborate in pursuit of self-interest, through joint action. This combination of action, or collaboration, requires firms to agree on their strategic intentions and to bring resources and activities together (Håkansson and Snehota, 1995), to achieve their common and self-interest aims (Medlin, 2006; Möller and Svahn, 2003). When firms interact they do so in physical terms by aligning their resources and activities through time so that the firms are interdependent (Ford and Håkansson, 2006). The managers of the firms also bring their strategic understanding together through communications concerning their joint activity (Turnbull, 1979). However, there always remain two perspectives of the joint activity.

The 'double perspective' of business relationships is an intrinsic element of the Interaction Framework (Håkansson, 1982) adopted by the Industrial Marketing and Purchasing (IMP) Group of academics (Gemünden, Ritter, and Walter, 1997; Håkansson and Snehota, 1995; Hallén, Seyed-Mohamed, and Johanson, 1989; Möller and Wilson, 1995; Naudé and Turnbull, 1998). In business relationships there are always at least two perspectives of the interactive processes: one by each firm (Halinen, 1998). These two perspectives, viewed from outside the relationship, display an entwinement through time that is a double perspective. The concept of a double perspective of interaction requires each manager and firm to play a part through time in joint action, and to do so requires managers to understand both firms to a reasonably large degree, but only from their own perspective. Interaction and collaboration requires firm action which preempts and anticipates problems on the behalf of the partner firm. However, this double perspective is not one of 'command', 'authority', or of 'reliance' and 'dependence', and so the two perspectives always remain and the joint activity is always a double deliberation: not a single viewpoint.

Business interactions can only be understood when 'time', 'interdependencies', 'relativities' and 'joint activity' are considered from a specific 'subjective' standpoint (Ford and Håkansson, 2006). These concepts are a problematic issue for the processes of business interaction. Each concept is a matter of implicit or explicit negotiation between managers when two firms interact. Managers adjust the timing of their problem solving and the way resources mesh with each other in joined activities between firms so that the degree of interdependency varies and the relative position of firms in the network is constantly adjusted by the change in interdependencies between firms. From a double perspective one would say that interaction between firms, or joint activity, relies on interdependence through time, where the subjective realities of each firm both continue to exist relative to each other and yet there is a joint goal: profit from joint activity. Here we see the crucial point, the joint activity is not matched by joined understandings; rather the understandings are only partially joined in a double perspective. Completely joining viewpoints would move the business relationship to a hierarchy where command, in one direction or in both, would assert resource and activity deployment and limit future interaction possibility.

The double perspective of joined activity evidently deserves closer attention. This paper undertakes a literature review of joint activity and collaboration within the areas of business relationships and interaction. This discussion highlights the factors that influence joint action through different time periods as firms seek to achieve a joint goal: relationship performance. In the second section a research framework and methodology is elaborated to examine the constructs explaining joint action and relationship performance. The third section reports an empirical study based on a structural equation analysis. This analysis is conducted from a single firm perspective. The final two sections discuss the managerial and research implications of the study.

Literature review

Joint action is directed and collective interaction undertaken by firms that results in each firm adapting and changing in response to the other (Ford and Håkansson, 2006/ pp17). Ford and Håkansson (2006) even go so far as to assert the firms do not have to be aware of their joint activity; however their interest is in networks whereas this paper focuses only on specific business

relationships. Noteworthy in business relationships joint action can be based purely on self-interest and so be competitive in nature, with the result that the relationship between firms may be seen as negative. Equally joint action might be cooperative in nature so that the relationship between firms is positive, with some form of joint goal influencing their modes of interaction. In any case, even when there is cooperation between firms there is always some elements of competition and/or conflict (Bengtsson and Kock, 1999; Mallen, 1967; Young and Wilkinson, 1997). The point is that the joint action, or interaction, of firms in a business relationship is on the basis of different perspectives. This is an important distinction: two codes interact within a business relationship (Halinen, 1998).

The concept of the double perspective is intrinsic to interaction and to IMP research. Ford and Håkansson (2006) are quite clear on the importance of a 'double perspective', although they do not employ this term, when they discuss the importance of subjectivity and relativism in researching business interactions. The interaction between two firms is guided by at least two subjective understandings of the purpose and processes of interaction and this subjectivity is necessarily relative to the understanding of the manager of the partner firm. However, resolving subjectivity and relativism in business research is not easy, and requires careful application of theory and construct definition.

One of the more powerful ways to resolve issues around subjectivity and relativism is to more clearly define 'time' (Ford and Håkansson, 2006). Understanding joint action, and interaction, requires elaboration of time (Halinen, 1998; Hedaa and Törnroos, 2002), as joint activity in the present has a purpose that is future bound (Medlin and Törnroos, 2007). Importantly, time is not understood to be only x-axis and socially created objective time. Rather time is a subjective phenomena applied by humans as a way of comprehending the world (Davies, 1994; Kant, 1953). Elaborating interaction and joint action when two parties are involved requires, aside from x-axis time, the concept of relational time (Halinen, 1998; Hedaa and Törnroos, 2002). In relational time the two parties have separate timelines but relate to each other through different pasts, partially different presents and potentially different futures (Medlin, 2004). Here we see the subjectivity and relativity of business relationships. One can say that the firms in a business relationship are interacting within the ever-moving present, where the managers of each firm define different and also partially similar overlapping and multiple presents (Medlin, 2004).

When joint action is observed in the present, one can see that past situated constructs and the future oriented goals of the firms will have an impact on the nature of interaction. Also clear is the concept that the present is limited in scope and so acts like an environment (Medlin, 2004), which limits the amount of interaction, or joint activity, that can be undertaken. Time is limited and so limits the potential for joint action. One way to increase joint activity is to bring more resources to support interaction between firms in the present: to be flexible. Here we approach the concept of a firm's power to command resources. A firm's ability to be flexible with resources acts as an attraction to a partner firm.

Flexibility has been considered as a relational norm (Macneil, 1980; Macneil, 1983) in past research of business, and most often has been operationalized as a part of a composite construct measuring overall relational norms (cf Boyle et al., 1992; Heide and John, 1992). However, in the context of time and resources, flexibility takes a slightly different meaning, as the focus shifts from behavioral norm to a capability and willingness to re-position resources in time.

Apart from bringing more resources to interaction, managers have two options for flexible organization of joint action in time: (1) sequence activities, or (2) run activities in parallel. These concepts are at the heart of activity sequencing research undertaken by Dubois (1995; 1994). However and importantly, an alternate mechanism for managers to handle limited resources and time for joint action is to re-define the nature and purpose of their firms' interaction. This amounts to finding emergent solutions within relationships and networks and requires maintenance of a double code. Mouzas, et al. (2008) view this as developing network insight through 'heedful' interaction. Evidently, there are managerial skills in managing relationships to maintain a 'double perspective', for attempts to usurp control will lead to a removal of the active engagement of the other manager and their perspective. Managing a business relationship to strengthen emergent solutions means keeping multiple perspectives. This requires managers to with-hold control, and to seek to apply

influence, so as to maintain always multiple understandings and collective interests. These arguments suggest that past experience in other relationships will provide firms with knowledge and familiarity on how to manage the tension between self and collective interest. In collective activity, the other party mediates decisions and rewards (Dwyer, Schurr, and Oh, 1987), and so the ability to work jointly with the other party should be a strong indicator of future business relationship success. Past experience has been positively associated to other business relationship constructs (Wilson, 1995).

When firms interact both self and collective interest play a part in the dynamics of interaction (Bengtsson and Kock, 1999; Ross and Lusch, 1982). This follows necessarily from the idea of two-codes within business relationships. However, one can go further in elaborating the idea of two-codes, for the ways that two firms interact will vary according to how each perceives their goals to be aligned (Andaleeb, 1995; Anderson and Narus, 1990; Dabholkar and Neeley, 1998; Lawrence and Lorsch, 1967). Evidently the more closely aligned are the goals of interacting firms, the more their self-interests are collective (Medlin, 2006). Further, when collective interests are supreme the distinctions between self-interests become more subtle and delicate, so that the appeal of controlling the other party increases. However, moving to control, even control of different aspects of each firm by the other firm, will reduce the benefits of a more subtle and forever dynamic emergence that is found with a truly elaborated double code. Here the distinction is how the managers of each firm interact according to different codes by also applying their understanding of the other firm, so that a double perspective operates across the two managerial codes. In a double perspective each firm looks to the self-interest of the other firm in addition to their own, and also to their collective interests. Thus, a double perspective concerns a higher degree of understanding of the other firm and how its interest intertwines in the business relationship. When partner firm managers display this deeper level of understanding, we can trust them to act in our firm's self-interest; literally to find a way to make collective interests more dominant.

There is necessarily a very close association between trust and the double perspective. Trust has been conceptualized as a multi-dimensional construct in previous business-to-business research (Seppänen, Blomqvist, and Sundqvist, 2007), with the two dominant theoretical dimensions of benevolence or goodwill on the one hand (Ring and Van de Ven, 1992) and confidence, credibility or predictability that a partner may be relied upon, on the other (Anderson and Weitz, 1989). These theoretical dimensions are recognized in early inter-firm research by Schurr and Ozanne (1985) who used the inter-personal definition of trust developed by Blau (1964) and Rotter (1967). Clearly the concept of a double perspective relates to both of these dimensions of trust; however there is likely a stronger association with benevolence trust. Benevolence is a belief that the other party will treat the risking party well under new conditions (Andaleeb, 1995; Anderson and Narus, 1990). Evidently, to bring self and collective interest together the firms must be willing to rely upon the benevolence of the other in risky situations. To act in the knowledge that a partner is benevolent requires a manager to believe that the opposing managers well understand each firms' self and collective interests, and the ways that flexible application of resources can in the longer term benefit both parties.

In a double perspective we begin to see the full implication of a complex interaction between firms, where the means of achieving the prime goals of each firm, and the goals of the joined activities, are partially understood; as there always remain two viewpoints. The activities and resources are combined in joint activity, with each firm preempting and anticipating the other to some degree. Noteworthy is the continuing existence of two viewpoints, within the double perspective, which provides differences of understanding and perspective from which new activity; new goals and new strategy emerge. However, in a world of limited resources and time there is always a balancing between a business structure for efficiency (ie control/hierarchy) and future effectiveness (ie emergence) (Kuppers, 1993). This suggests that a power to control resources within specific domains is important in bringing two parties together and further that flexibility between the parties might be an important aspect of their interaction.

In the next section a theoretical framework based on time differentiation is proposed to examine the concept of the double perspective through the constructs of past experience with relationships, flexibility and benevolence in business relationships.

Conceptual Framework and Hypotheses

Examining business relationships as dynamic phenomena, or as double perspectives, requires elaboration of time as past, present and future and spreading the cause and effect of constructs in the time continuum. Further, one must employ a dependent variable reflecting an outcome of joint activity. Relationship performance is appropriate as a dependent variable as this reflects the perceived economic performance of the jointly acting relationship parties, relative to expectations and competitors in the broader network (Aulakh, Kotabe, and Arvind, 1996; Holm, Eriksson, and Johanson, 1996). While relationship performance represents a collective outcome of two parties joint activity, there is no implication that the parties are necessarily working completely together and so one can examine degrees of joint activity relative to this construct.

Firms act jointly in business relationships to serve their own interests and fulfill their profit and strategic goals. Relationship performance can be viewed as a present oriented construct, where a manager makes an observation on the results of firm activity over a past period. The relationship performance of two collaborating firms will be associated with the degree to which each party is prepared to work with a 'double perspective'. Understanding and even providing support to the partner firm through application of benevolent actions should lead to improved resource efficiency and resource connections and so improved performance. The belief of a manager in the willingness of the other party to consider the interests of the manager's firm, will lead to greater levels of collaboration and more efficient joint action. When managers consider the other firm operates with benevolence improved joint action will follow and relationship performance will improve.

H1: Greater levels of benevolence in a business relationship is positively associated with a firm's perception of relationship performance.

Flexibility of interaction, which is defined as an expectation that the firms can make adjustments to resources and activities in time, should be positively associated with benevolence between firms. Greater acceptance of flexibility between the parties for making adjustments to resources and exchange conditions will allow the firms to meet the self-interest needs of the other party.

H2: A greater level of flexibility is associated positively with benevolence in a business relationship.

Past experience with joint action in other business relationships will be an important determinant of present flexibility. When a firm has experience with past business relationships as a joint activity, rather than an exercise in self-interest and maximizing profit at the expense of the partner firm, there is a greater likelihood that the firm will be flexible in the current relationship. Further, firms with an understanding of joint activity are likely to be more benevolent in the present activities with a partner firm.

H3: A greater level of joint action in past business relationships is associated positively with the current flexibility in a business relationship.

H4: A greater level of joint action in past business relationships is associated positively with benevolence in a business relationship.

Method

The empirical setting chosen for the study was software principals and their distributor/agents. Internet web sites provided lists of Australian and New Zealand software companies in a wide variety of vertical markets. International relationships were not excluded from the sample as the software industry employs highly educated Western oriented people. The focus on one industry is likely to have reduced measurement error, as managerial skills will tend to be similar across the industry. The single industry also improves measurement, as country and regional borders set

market boundaries, which allow respondents to easily gauge expectations, competition and market position.

In the first step, contacting of a CEO or Marketing Manager by telephone, led to discussions on the range of relationships. In each case a specific relationship was qualified on the basis of being important to the firm's strategy and an arrangement by the two firms and no other. In addition, relationships were qualified on the basis of requiring continuous interaction between the firms, and not being an end client relationship. These are important criteria as they exclude hierarchical relationships and result in sampling of firms with a reasonably high degree of interdependence.

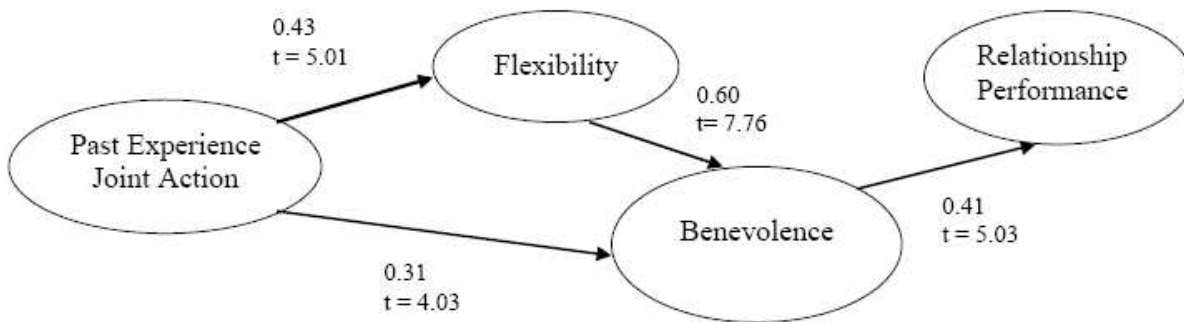
The researcher spoke with the relationship manager and provided an overview of the research. As each respondent agreed to participate an email providing a web survey site and instructions was sent. While the study reported in this paper examines firms and a relationship, the data collection was part of a broader project on dyads. As a result, on survey completion, the respondent gave the contact details for the partner firm. Next, email and telephone contact of the partner firm followed to gain acceptance. The final convenience sample consisted of 187 firms. This study comprises 95 principals and 92 distributors, with 80 relationships measured from both two sides. However, all analysis is conducted only at the firm level; no dyadic analysis is undertaken in this study. The inclusion of firms in dyads is not an issue as past studies have shown partners have considerably different views of sentiment and perceptual constructs (Anderson, Zerrillo Sr., and Wang, 2006; Bacharach and Lawler, 1980; Heide, 1994; John and Reve, 1982). Levene's test for equality of variances found no significant differences across respondents by principal/distributor role.

Measure Validity and Hypotheses Tests

The indicators for benevolence were developed for this study by a series of qualitative interviews of both parties in business relationships. As the study methodology examines the benevolence from only one firm's perspective, the indicators focus on a manager's perception of the partner firm's willingness to consider the interests of the focal firm. In addition, the benevolence and honesty trust constructs were examined to ascertain discriminant validity. The results do not support a distinction between honesty trust and benevolence trust ($\Phi = 0.85$). However, the concept of benevolence represents a specific form and enactment of trust and the indicators are clearly focused on benevolence, rather than honesty/credibility trust. In the theoretical elaboration of a double perspective, benevolence trust takes form as a concern for the self-interest of the other party and this creates a relationship structure. Managers are assumed to rely on the potential for benevolence as they commit resources and activities to their goals.

High quality construct measures were prepared by conducting factor analysis using the Maximum Likelihood method and the two-step approach suggested by Anderson and Gerbing (1988). The measurement model for the four constructs is contained in Appendix A. As the factors are independent, rotation was not necessary (Iacobucci, 1994). The Kaiser-Meyer-Olkin Measures of Sampling Adequacy ranged between 0.641 for 'flexibility' and 0.740 for 'relationship performance'. Appendix B displays the correlation matrix and final measurement model (RMSEA = 0.054). Steiger (1989) considers any value less than 0.07 as a "good" fit.

Next, analysis using Lisrel 8.80 (Jöreskog and Sörbom, 1996) was undertaken (see figure 1). The RMSEA of the final global model is 0.051 with a 90% confidence interval extending from 0.019 to 0.077. This is very close to the suggestion by Browne and Cudeck (1993) that RMSEA values below 0.05 indicate good fit of the model to the data. The Chi-square statistic (59.37) with 40 degrees of freedom is also acceptable ($p = 0.02487$) (Bentler, 1990). These measures suggest that the model has a "correct fit". That is, the hypotheses constraining the parsimonious model comply with the observed phenomena. Further, the t values of the parameters are all significant statistically (see appendix B). Clearly, the analysis supports the four hypotheses (see figure 1).

Figure 1: Structural Equation Model

Discussion

The results displayed in figure one support all of the hypotheses. This provides an important first step in tackling research on the role of the double perspective. Benevolence, with regard to the other party's welfare and interests, is positively associated with the sales and sales growth from the joint action of the firms (H1). This indicates that moving beyond self-interest to a collective understanding is associated positively with relationship performance, and this suggests that acceptance and enhancing the dynamic of a double perspective may lead to more effective business relationships. Further, the degree of benevolence attributed to the partner firm is strongly associated with the degree of flexibility a manager views the business relationship to display (H2). This association suggests that flexibility is an indicator of a manager accepting a double perspective; with flexibility following acceptance of another point of view. Finally a manager's perceptions that past business relationships have been joint action are strongly associated with both flexibility (H3) and benevolence (H4) in the current relationship. While past joint action does not address the concept of a double perspective, the support for these associations indicates the importance of joint action when considering future studies of a double perspective. In general, the empirical results reflect strong evidence of the role of joint action and a double perspective (i.e. a strong business relationship) in achieving economic performance, where that performance requires collaboration in a supply chain.

Future Research

A number of directions for future research are apparent from the framework presented in this paper.

First, the nature of joint action and interaction, where there is a double perspective present between the business partners, requires continuing theory development. The methods firms apply to balance their self-interest, the self-interest of the other party, and their collective interests offer a means of developing a deeper understanding of business relationships. The role of specificity versus ambiguity in the balancing processes and the development of goals may offer a way to examine the dynamics of a double perspective. Relationships composed of more independent firms are likely to exhibit greater degrees of ambiguity concerning the means to achieve outcomes and also the specific goals.

Second, the research presented here is more specific concerning how trust operates in business relationships than has been generally evident in the literature. Trust has been extensively studied (cf Geyskens, Steenkamp, and Kumar, 1998; Morgan and Hunt, 1994; Seppänen, Blomqvist, and Sundqvist, 2007; Young, 2006; Zand, 1972), but rarely do we see the more precise ways that trust operates in business relationships. In a similar way to the double perspective, Malhotra (2004) shows that trust is perceived differently from each side of a business relationship and so extends our understanding of the dynamics between two interdependent parties. Clearly future research should extend to dyad settings where operationalizations of different elaborations of trust are possible.

Third, this is one of a very few studies that have examined the role of flexibility within business relationships as a separate construct. Most past studies have only applied flexibility as part of a composite indicator of relational norms (Boyle et al., 1992; Heide, 1994). The expectation of flexibility can be associated with either 'influence', 'capability', and the 'power', of the other firm to vary resource and activity application over time; or 'acquiescence'. The latter response, where a firm complies with a partner perceived to be more powerful, is likely in unhealthy business relationships (Wilkinson, 1973), although not only; while the former is not at odds with the concept of the double perspective. The role of influence, capability and power remain difficult constructs to elaborate, partly because a sound understanding requires a dyadic theory and a dyad empirical study to separate the different points of view. What is capability/power from the perspective of the other firm maybe sound logical sense to the acting firm, and so not viewed as an attempt to influence. The intricacies of power and the double perspective deserve greater research attention.

Fourth, there are many ways to coordinate resources and activities between firms in business relationships. The concept of the double perspective suggests managers should maintain some distance between the firms, while at the same time developing their understanding of the distinctions between the self and collective interest of each firm. When one considers the different ways of managing the resources and activities across a relationship, one can see that some firms may prefer equal responsibility, while another relationship will be composed of one firm to coordinate resources and another who follows. This latter mode of interaction is not necessarily counter to the concept of the double perspective, however, clearly further research is required of these matters.

Finally, research needs to examine the ways firms can maintain joint action while also preserving their managers' individual and unique perspectives on the complex interactions between firms in networks. There is a balancing act in the manager's mind to separate the different interests of each firm and the various effects of each new environmental, network, relationship and firm change: if managers are to maintain a double perspective.

Managerial Implications

The empirical evidence discussed here suggests that past and present joint action, and even future joint action through expected benevolence, is important in business relationships for achieving collaborative economic outcomes. Managers should also take note of the way benevolence has a strong association with continuing joint action and collaborative economic performance. The benevolence construct is a refined enactment of trust, where each party not only trusts the other party, but undertakes to watch out for the interests of the other. Business relationship research to-date comments on the importance of trust (Geyskens, Steenkamp, and Kumar, 1998; Morgan and Hunt, 1994), but has been short on the areas where trust is important. This research indicates a specific form of trust that can aid managers in negotiating their joint action within a business relationship.

However, managers must be careful in operationalizing a double perspective, as taking direct responsibility for the other party will create a dependence relationship. Managing joint action requires a careful balancing of interdependencies; or else a relationship will revert to forms of opportunism and free riding, whether through use of power or acquiescence to power.

Evidently, firms with experience of joint action in their earlier business relationships are more likely to be flexible in their dealings and more likely to consider the interests of the other party. This suggests managers should qualify potential partner firms and their managers on the basis of joint action across the firm boundary in past business relationships.

In addition, managers should look to developing expectations of mutual flexibility within business relationships. Here extreme care is required, as flexibility can also be seen as acquiescence and so

the flexibility should be undertaken with mutual and collective goals in mind, rather than the self-interest of either party.

Finally, managers need to consider how they can maintain a double perspective for each strategically important business relationship. However, underlying this issue is the balancing act managers must perform to develop and maintain a business relationship in the face of continual change. While the dynamics of the double perspective remain somewhat of an art form, the benefits from emergence of new opportunities and efficiencies out of the space between the two parties in a business relationship will draw more and more firms to joint action.

References

- Andaleeb, Syed Saad (1995), "Dependence Relations and the Moderating Role of Trust: Implications for Behavioural Intentions in Marketing Channels," **International Journal of Research in Marketing**, 12 (2, July 1995), 157-172.
- Anderson, E. and B. Weitz (1989), "Determinants of Continuity in Conventional Industrial Channel Dyads," **Marketing Science**, 8 (4, 1989), 310-323.
- Anderson, James C. and David W. Gerbig (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach," **Psychological Bulletin**, 103, 411-423.
- Anderson, James C. and James A. Narus (1990), "A Model of Distributor Firm and Manufacturer Firm Working Partnerships," **Journal of Marketing**, 54 (1), 42-58.
- Anderson, James C., Philip C. Zerrillo Sr., and Lihua Olivia Wang (2006), "Estimating Firm-Specific and Relational Properties in Interorganizational Relationships in Marketing," **Journal of Business-to-Business Marketing**, 13 (4), 29-67.
- Aulakh, Preet S. , Masaaki Kotabe, and Sahay Arvind (1996), "Trust and Performance in Cross-Border Marketing Partnerships: A Behavioural Approach," **Journal of International Business Studies**, 27 (5), 1005-1032.
- Bacharach, Samuel B. and Edward J. Lawler (1980), **Power and Politics in Organizations**, San Francisco: Jossey-Bass Inc.
- Bengtsson, Maria and Sören Kock (1999), "Co-operation and Competition in Relationships Between Competitors and Business Networks," **Journal of Business & Industrial Marketing**, 14 (3), 178-194.
- Bentler, P.M. (1990), "Fit Indexes, Lagrange Multipliers, Constraint Changes and Incomplete Data in Structural Models," **Multivariate Behavioural Research**, 25 (2), 163-172.
- Blau, P.M. (1964), *Exchange and Power in Social Life*, New York: Wiley.
- Boyle, Brett, F. Robert Dwyer, Robert A. Robicheaux, and James T. Simpson (1992), "Influence Strategies in Marketing Channels: Measures and Use in Different Relationship Structures," **Journal of Marketing Research**, 29 (4), 462-473.
- Browne, Michael W. and Robert Cudeck (1993), "Alternative Ways of Assessing Model Fit," in **Testing Structural Equation Models**, K.A. Bollen and J.S. Long, eds., Newbury Park, California: Sage, 136-162.
- Dabholkar, P. A. and S. M. Neeley (1998), "Managing Interdependency: A Taxonomy for Business-to-business Relationships," **Journal of Business & Industrial Marketing**, 13 (6), 439-461.
- Davies, Gary (1994), "What Should Time Be?," **European Journal of Marketing**, 28 (8/9), 100-113.
- Dubois, A. and J. Sandell (1995), "Inter-functional Co-ordination in a Network Context," **Proceedings: 11th IMP Conference**.
- Dubois, Anna (1994), **Organising Industrial Activities: An Analytical Framework**, Gothenburg, Sweden: Department of Industrial marketing, Chalmers University of Technology.
- Dwyer, Robert F., Paul H. Schurr, and Sejo Oh (1987), "Developing Buyer-Seller Relationships," **Journal of Marketing**, 51 (2), 11-27.
- Ford, David and Håkan Håkansson (2006), "The Idea of Business Interaction," **The IMP Journal**, 1 (1), 4-27.
- Gemünden, Hans Georg, Thomas Ritter, and Achim Walter, eds. (1997), **Relationships and Networks in International Markets**, London: Pergamon.

- Geyskens, I., J.E.M. Steenkamp, and N. Kumar (1998), "Generalizations About Trust in Marketing Channel Relationships Using Meta-analysis," **International Journal of Research in Marketing**, 15 (3), 223-248.
- Håkansson, Håkan, ed. (1982), **International Marketing and Purchasing of Industrial Goods**, Chichester: Wiley.
- Håkansson, Håkan and Ivan Snehota (1995), **Developing Relationships in Business Networks**, London: International Thomson Business Press.
- Halinen, Aino (1998), "Time and Temporality in Research Design: A Review of Buyer-seller Relationship Models," in **Network Dynamics in International Marketing**, Peter Naudé and Peter W. Turnbull, eds., Oxford: Elsevier Science, 112-139.
- Hallén, Lars, Nazeem Seyed-Mohamed, and Jan Johanson (1989), "Relationships and Exchange in International Business," in **Networks of Relationships in International Industrial Marketing**, Lars Hallén and Jan Johanson, eds., 3, London: JAI Press, 7-23.
- Hedaa, Laurids and Jan-Åke Törnroos (2002), "Towards a Theory of Timing: Kairology in Business Networks," in **Making Time: Time and Management in Modern Organizations**, Richard Whipp, Barbara Adam, and Ida Sabelis, eds., Oxford: Oxford University Press.
- Heide, Jan B. (1994), "Interorganizational Governance in Marketing Channels," **Journal of Marketing**, 58 (1), 71-85.
- Heide, Jan B. and George John (1992), "Do Norms Matter in Marketing Relationships?," **Journal of Marketing**, 56 (2), 32-44.
- Holm, Desiree B., Ken Eriksson, and Jan Johanson (1996), "Business Networks and Cooperation in International Business Relationships," **Journal of International Business**, 27 (5), 1033-1053.
- Iacobucci, Dawn (1994), "Classic Factor Analysis," in **Principles of Marketing Research**, Richard P. Bagozzi, ed., Oxford: Blackwell, 279-316.
- John, George and Torger Reve (1982), "The Reliability and Validity of Key Informant Data From Dyadic Relationships in Marketing Channels," **Journal of Marketing Research**, 19 (4), 517-524.
- Jöreskog, Karl G. and Dag Sörbom (1996), **Lisrel VIII**, Chicago: SSI.
- Kant, Immanuel (1953), **Prolegomena : To any future metaphysics that will be able to present itself as a science**, Manchester: Manchester U.P.
- Koppers, G (1993), "Social Order, From Individual Activity to Functional Cooperation," in **Interdisciplinary Approaches to Nonlinear Complex Systems**, H. & Mikhailov Haken, A., ed., Germany: Springer-Verlag.
- Lawrence, P.R. and J.W. Lorsch (1967), "Differentiation and Integration in Complex Organizations," **Administrative Science Quarterly**, 12 (1), 1-47.
- Macneil, Ian R. (1980), **The New Social Contract: An Inquiry into Modern Contractual Relations**, New Haven: Yale University Press.
- Macneil, Ian R. (1983), "Values in Contracts," **Northwestern University Law Review**, 78 (April 1983), 340-418.
- Malhotra, Deepak (2004), "Trust and Reciprocity Decisions: The Differing Perspectives of Trustors and Trusted Parties," **Organizational Behavior and Human Decision Processes**, 94 (2), 61-73.
- Mallen, Bruce E. (1967), "Conflict and Cooperation in Marketing Channels," in **The Marketing Channel: A Conceptual Viewpoint**, Bruce E. Mallen, ed., New York: John Wiley and Sons, 124-134.
- Medlin, Christopher J. (2004), "Interaction in Business Relationships: A Time Perspective," **Industrial Marketing Management**, 33 (3), 185-193.
- Medlin, Christopher J. (2006), "Self and Collective Interest in Business Relationships," **Journal of Business Research**, 59 (7), 858-865.
- Medlin, Christopher J. and Jan-Åke Törnroos (2007), "Inter-firm Interaction from a Human Perspective," **Finanza Marketing & Produzione**, 41-56.
- Möller, Kristian and Senja Svahn (2003), "Managing Strategic Nets: A Capability Perspective," **Marketing Theory**, 3 (1), 209-234.
- Möller, Kristian and David Wilson, eds. (1995), **Business Marketing: An Interaction and Network Perspective**, Boston, Dordrecht and London: Kluwer Academic Publishers.
- Morgan, Robert M. and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," **Journal of Marketing**, 58 (3), 20-38.

- Mouzas, Stefanos, Stephan Henneberg, and Peter Naudé (2008), "Developing Network Insight," **Industrial Marketing Management**, 37 (2), 167-180.
- Naudé, Peter and Peter W. Turnbull, eds. (1998), **Network Dynamics In International Marketing**, Oxford: Elsevier.
- Ring, Peter S. and Andrew H. Van de Ven (1992), "Structuring Cooperative Relationships Between Organizations," **Strategic Management Journal**, 13 (1992), 483-498.
- Ross, R.H. and R.F. Lusch (1982), "Similarities Between Conflict and Cooperation in the Marketing Channel," **Journal of Business Research**, 10 (2), 237-250.
- Rotter, Julian B. (1967), "A New Scale for the Measurement of Interpersonal Trust," **Journal of Personality**, 35 (4, 1967), 651-65.
- Schurr, Paul H. and Julie L. Ozanne (1985), "Influences on Exchange Processes: Buyers' Preconceptions of a Seller's Trustworthiness and Bargaining Toughness," **Journal of Consumer Research**, 11 (March 1985), 939-53.
- Seppänen, Risto, Kirsimarja Blomqvist, and Sanna Sundqvist (2007), "Measuring Inter-organizational Trust: A Critical Review of the Empirical Research in 1990–2003," **Industrial Marketing Management**, 36 (2), 249-265.
- Steiger, James H. (1989), **EzPATH: Causal Modeling**, Evanston, IL: SYSTAT Inc.
- Turnbull, Peter (1979), "Roles of Personal Contacts in Industrial Export Marketing," **Scandinavian Journal of Management**, 16 (5), 325-337.
- Wilkinson, I.F. (1973), "Power and Influence Structures in Distribution Channels," **European Journal of Marketing**, 7 (2), 119-129.
- Wilson, David T. (1995), "An Integrated Model of Buyer-Seller Relationships," **Journal of the Academy of Marketing Science**, 23 (4), 335-346.
- Young, Louise (2006), "Trust: Looking Forward and Back," **Journal of Business & Industrial Marketing**, 21 (7), 439-445.
- Young, Louise C. and Ian F. Wilkinson (1997), "The Space Between: Towards a Typology of Interfirm Relations," **Journal of Business-to-Business Marketing**, 4 (2), 53-97.
- Zand, D.E. (1972), "Trust and Managerial Problem Solving," **Administrative Science Quarterly**, 17 (1972), 229-239.

Appendix A

Construct Indicators

Construct	Indicators	Source	Cronbach Alpha	Response Anchors
Past Experience Joint Action	Past business relationships can be best described as combined action. Past business relationships can be best described as joint action. In past relationships our firm has preferred to treat problems as joint, rather than individual responsibilities.	Medlin, et al. 2005	0.715	9 point scale Strongly agree to strongly disagree
Flexibility	The parties expect to be able to make adjustments in the ongoing relationship. The parties expect to be able to make adjustments to cope with changing circumstances.	Adjusted from Heide 1994	n/a	9 point scale Strongly agree to strongly disagree
Benevolence	In the future we can count on the other firm, to consider how its decisions and actions will affect our firm. Though circumstances change, we believe the other firm will be ready and willing to offer us assistance and support. When making important decisions, the other firm is concerned about our firm's welfare.	Prepared for this study	0.857	9 point scale Strongly agree to strongly disagree
Relationship Performance	Consider all of the costs and revenues with the Focus Relationship. Relative to your firm's expectations in the focus market, what has been the performance of the inter-firm relation on the following dimensions? 1. Sales, 2. Sales growth, 3. Market share	Aulakh 1996, Holm, et al 1996, Medlin, et al 2005	0.903	9 point scale Extremely strong to extremely weak

Appendix B

Correlation Matrix

	PExp1	PExp2	PExp3	Flex1	Flex2	Benev1	Benev2	Benev3	Perf1	Perf2	Perf3
PExp1	1.00										
PExp2	0.52	1.00									
PExp3	0.40	0.47	1.00								
Flex1	0.20	0.39	0.19	1.00							
Flex2	0.18	0.32	0.27	0.84	1.00						
Benev1	0.25	0.40	0.31	0.52	0.58	1.00					
Benev2	0.21	0.38	0.24	0.61	0.62	0.65	1.00				
Benev3	0.30	0.41	0.30	0.48	0.51	0.67	0.71	1.00			
Perf1	0.08	0.20	0.13	0.15	0.13	0.25	0.26	0.22	1.00		
Perf2	0.17	0.22	0.14	0.26	0.29	0.37	0.33	0.28	0.75	1.00	
Perf3	0.13	0.24	0.18	0.17	0.21	0.35	0.29	0.27	0.71	0.81	1.00

Measurement Model

Construct	Item	Lambda	t-value	R ²
Past Experience Joint Action	1	0.62	8.14	0.38
	2	0.83	10.89	0.69
	3	0.59	7.70	0.35
Flexibility	1	0.90	14.86	0.91
	2	0.94	15.71	0.88
Benevolence	1	0.80	12.58	0.64
	2	0.85	13.73	0.72
	3	0.81	12.89	0.66
Relationship Performance	1	0.81	12.95	0.66
	2	0.93	15.94	0.86
	3	0.88	14.65	0.77