Adaptation chains in triadic relationship settings

- A case study of a travel management process

Work-in-progress

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**Purpose:** The focus of this paper is on adaptation processes within triadic relationship settings, which consists of an organizational buyer, and its travel agency and service supplier partners (2 airline companies and a hotel chain). The core of their co-operation is the buyer’s travel management process. The purpose is to study how the buyer’s changing buying behavior affects the travel management process, and how the suppliers and travel agency partners adapt their resources and activities to the client’s new needs.

**Approach/method:** The study is based on the ARA-framework by the IMP group (Håkansson and Snehota, 1995). Sociological research (Caplow 1956; 1968; Simmel in Wolff 1950) is used to understand the triadic relationship setting. The study applies systematic combining logic (Dubois and Gadde, 2002). Embedded case studies within six industrial enterprise – service supplier – travel agency triads are used to gather the data. The focus is on the buyer’s travel management process.

**Findings:** The empirical findings reveal adaptations that penetrate the travel management process, incorporating various activities and resources within all the actors, and forming thus adaptation chains.

**Originality:** The study extends the traditional dyadic perspective to adaptation to concern three actors. Furthermore, it investigates ongoing service purchasing and delivery processes between specific co-operating partners.

**Keywords:** adaptation chain, service process, business triad, travel management process.
INTRODUCTION

Relationship marketing and management research has for a long time paid attention to how relationships are developed and maintained (Håkansson, 1982; Ford et al., 2003; Gummesson, 2002). Business services are noticed to be developed in co-operation with the different actors participating in the service process, and buyers of services are more likely to seek longer-term partnerships than those buying goods (Grönroos, 1998; Holmlund and Kock, 1995). The partner’s reliability is emphasized specifically in professional services with increasingly multifaceted customer needs and the wide assortment of services. Services are often delivered with the help of an intermediary, even though technology makes it possible to order services via the internet. The two actors on both sides of the exchange may prefer to gain information through intermediaries that they know. The role of the intermediary can also be critical in bringing two parties together by emphasizing their shared interests and the potential for mutual benefits (cf. Simmel in Wolf, 1950).

Most business relationships are based on some kind of match between functions of at least two companies (Hallén et al., 1991). According to the interaction and network approach, business relationships develop when firms adapt their actors, resources and activities to those of the counterparts (Håkansson and Snehota, 1995). Activities form activity chains where resources are combined. Adaptations may occur in the initial phases of a relationship to bring about “fit” between organizations. Adaptations will also continue for the duration of a relationship as understanding and expectations change (Ford, 1980; Hallen et al., 1991; Canning and Brennan, 2004).

Based on the ARA-framework by the IMP group (Håkansson and Snehota, 1995), the purpose of this study is to investigate how the buyer’s changing buying behavior affects the travel management process, and how the suppliers and travel agency partners adapt their resources and activities to the client’s new needs. Sociological research (Caplow 1956; 1968; Simmel in Wolff 1950) is used to understand the triadic relationship setting. The study applies systematic combining logic (Dubois and Gaddé, 2002), and the data is gathered with in-depth interviews. The core triads consist of an industrial enterprise, its travel agency and service supplier partners (two airline companies and a hotel chain). Travel management process implies arranging and managing the business travel activities of an organization’s employees (Douglas, 2008), and the sub-processes it includes.

The IMP group demonstrates that research of dyadic relationships fail to notice the complexity of relationships between organizations, because relationships exist in a network (Håkansson, 1989). Despite the fact, relationships, and phenomenon such as adaptation, are generally studied from a dyadic perspective. According to Simmel (in Wolff, 1950), the triad is a structure completely different from the dyad, but not totally different from groups of four or more. Therefore, studying triads may increase our understanding of interconnected relationships in networks. Business triads can be used both as an analytical tool (Ritter, 2000) and as a research perspective (Havila, 1996). Havila et al. (2004) suggests that the triadic perspective should be used to international business relationships where an intermediary is involved (see also Phillips, Liu and Costello, 1998). Also Madhavan et al. (2004) argue that a triadic approach is especially relevant in relationships with an intermediary, specifically when all the three actors have direct connection with each other. Havila et al. (2004) propose that a triadic approach should be applied if an increase in interaction in one dyad causes a decrease in interaction in another dyad, meaning that the triad functions as one business relationship where social interaction is one entity. Ritter (2000) argues that in order to address the issue of interconnectedness between relationships, it is sufficient to analyze triads, because a network
can be deconstructed into triads for analytic purposes, and network effects can be demonstrated by using only a triad. Triad as an analytical tool may help to understand the dynamics of trust, power, loyalty and commitment in service relationships (Andersson Cederholm and Gyimóthym’., 2005; Svensson, 2004).

In many businesses, a triad forms an essential setting for conducting business, and a third actor plays an important role between two actors. For instance, in relationships between a manufacturer and a distributor (e.g. Anderson and Narus, 1990; Rosenbröijer, 1998), a manufacturer and an industrial client (e.g. Håkansson and Snehota, 1995), in a “service triangle”, where customers, service organizations, and individual service providers are identified as the components of the service delivery process (e.g. Gutek, Groth and Bennett, 2002), in third party logistics (e.g. Gadde and Hulthén, 2009), and in the relationships between international corporations, and their clients (e.g. Havila, 1996).

The empirical context of the current study is business travel management. It can be defined as: “The corporate function of managing the business travel activities of an organization’s employees” (Douglas, 2008). This function is originally the responsibility of the corporate travel management. However, it relies on the interactive relationships between the core actors, of which the most important are the service suppliers, such as airlines and hotels, and the travel agency. (Douglas and Lubbe, 2006) The core triads are embedded in a wider network of relationships, as illustrated in a simplified way in the Figure 1.

The shaded triangle in the middle demonstrates a focal triad. The double headed arrows denote connections the actors have with each other, and with a number of other firms in the network, for example, technology providers, credit card companies, and competitors. The elliptical line enclosing the actors shows the imaginary boundary between the business travel industry and the wider network. The arrows pointing outside the core industry denote that the relationships exist also outside the travel industry, and to the fact that networks exist without limits (cf. Halinen and Törnroos, 2005).

The rest of the paper is organized in the following way. First, the concept of adaptation is elaborated. Second, research design and methodology is explained. Thereafter, case study findings are presented. Finally, conclusions, contributions and avenues for further research are provided.
THEORETICAL BACKGROUND - ADAPTATION AND BUSINESS TRIADS

The IMP approach views the structure in which business operates as one of interdependencies and relationships. Similarly, its view of the process of business is not one of buying and selling, but of continuing and transforming interaction. Its units of analysis are not individual companies, but the processes that take place between companies. The combination of technologies required to cope with any actor’s problem cannot be solved by any one actor, but by a network of actors. (Ford, 2009) This kind of problem solution requires adaptation. Specific adaptation by one firm towards another in long-term relationships is an everyday practicality, and clearly of importance to the understanding of business marketing (Schmidt et al., 2007).

The co-operating firms’ activities are linked to each other, and usually coordinated and adapted to fit the others activities. A change in one activity can be expected to have an impact on the other activities (Rosenbröijer, 1998). Schmidt et al. (2007) discovered “secondary adaptations”, which are dependent on existing adaptations. They found that adaptations in human resources were made only after a firm has already made other adaptations, including logistics, products and production.

Prior research focusing on adaptation is mainly conducted in the manufacturing sector, (e.g. Canning and Hanmer-Lloyd, 2001; Canning and Hanmer-Lloyd, 2002; Brennan, Turnbull and Wilson, 2003; Canning and Brennan, 2004), and research on adaptation in the context of “pure” service industries is scarce (Brennan et. al., 2003), even though adaptation in the context of services is important, because the services and service processes are developed in co-operation between the buyers and service suppliers (Grönroos, 2000). Exceptions are, for example, the study of Schmidt et al. (2007), which is mainly service based, but does not distinguish between adaptations in the service industry from those in the manufacturing industry. A study by Halinen (1994) discusses adaptation, even though adaptation is not the focus of the study.

Furthermore, prior research on adaptation proves that most business relationships are based on a process of matching between the operations of two companies (Canning and Hanmer-Lloyd 2001). Canning and Hanmer-Lloyd (2002), Brennan and Canning (2002), Canning and Brennan (2004) and Schmidt et al. (2007) take into consideration both buyers’ and sellers’ perspectives. However, when a dyadic perspective is applied, important aspects of the relationships are neglected. First, relationships are interconnected, and a given relationship does not only affect itself and the two actors involved, but it may also have an effect on other relationships (Walter and Ritter, 2003). Second, there are different interaction patterns in triads than in dyads, or in larger groups. In dyads, the actors have the possibility to interact directly with each other, and adaptations may be agreed between the two of them. In triads, there is a tendency for coalition formation (Caplow, 1956; Coser, 1977), and two powerful actors may coerce adaptations against the third. The less powerful actor (or actors) may have to adapt to the stronger one (Hallén et al., 1991). An example may be if the buyer takes advantage of its power to enforce adaptation (Brennan and Turnbull, 1999). Coercive bases of power may decrease the level of co-operation and increase the level of tension and conflict in a relationship (Jonsson and Zinelding, 2003). The more powerful actor may also restrain using its power, i.e. power may be non-coercive, and adaptations are made voluntarily. Non-coercive basis of power may increase the value of the relationship through team support and common interest. Voluntary adaptations may also promote collective goals. (Jonsson and Zinelding, 2003) In situations where high involvement might lead to enhanced performance, the potential pressure residing in power must be applied in other forms, for example as a
means to establish shared norms and expectations, and to use power in a constructive way (Gadde, 2004).

**RESEARCH METHOD AND ANALYSIS PROCEDURES**

A business relationship can only be understood by viewing it as a process through time, rather than by a snapshot at a particular point in time or as a series of isolated transactions (Ford, 2009). The current case study is retrospective, covering six years’ co-operation between an industrial enterprise, and its travel agency and supplier partners. The theory development is based on an abductive research, and it is characterized by systematic combining (Dubois and Gadde, 2002), where theoretical and empirical fieldwork and case analysis advance simultaneously.

An industrial enterprise (IE), its three preferred service supplier, and two travel agency partners form six triadic relationship settings. Ten informants represent the firms involved in these relationships: two industrial enterprise informants, five informants from two different business travel agencies, and one informant from each of the three different service supplier organizations. They are actual co-operating partners at the time of the interview process, and their relationships are contractual. Embedded single case design (cf. Perry, 2001; Grünbaum, 2007) is applied, where several units of analysis are examined in one case. In the current case, there are 6 business triads, and 11 dyadic relationships embedded the triadic relationship settings. These dyadic relationships are directly connected to the industrial enterprise’s travel management process.

Previous research sees the importance of gathering data from the actual counterparts, i.e. actors that are connected to each other at the time when the research is carried out. Ideally, when studying dyadic relationships, data should be gathered from both ends of the relationship and from more than one respondent in each organization. This enables the consequent observation both within the partner firms, and between the partner firms (Brennan et al., 2003). In the current study, a triadic approach is applied. The empirical setting consists of the actual seller, buyer and intermediary counterparts in specific relationships, and each of the three dyads are investigated in the context of the other two dyads to which it is connected, and from both ends. The triadic approach is inspired by the micronet approach suggested by Halinen and Törnroos (1998). However, the current perspective is limited to examining the relationships from “inside” the triadic relationship setting. The perspective is similar to “a net within a network” perspective (Halinen, lecture 14.6, 2007). As Brennan et al. (2003) noticed, respondents tend to emphasize adaptation made by their own organization, and underestimate adaptation made by the counterpart. Therefore, it is important to include more than one perspective to specific adaptations.

The data analysis went on throughout the interview process. The interviews were transcribed and the data were organized into categories of themes with the help of NVivo software package. Within-case analysis and cross-case analysis (Yin, 2003) were applied. Within case analysis provided a description for each side of the relationship. Each case was analyzed in a three-stage interactive process as suggested by Miles and Huberman (1994): data reduction, data display, and conclusion drawing. The data were cross-case analyzed to compare the embedded cases. Multiple perspectives to specific relationships were obtained when the dyads were investigated from both ends and in the context of the core triad. In the analysis,
direct quotations are used to support the conclusions, and to highlight the closeness between the empirical data and the interpretation.

**The firms and their informants**

The informants were chosen from different organizational levels in order to gain a more comprehensive picture of their co-operation. To ensure that the firms and the individual informants are disguised to assure anonymity, the names or other details of the firms or of the individual informants is not revealed.

**The industrial enterprise** (IE) has several business sites in more than 50 countries. A great deal of work is carried out outside the employees’ home offices, requiring a lot of travelling. The key informant, the *travel manager*, negotiates the contacts with partners. She acted as a gatekeeper, paving the way to the other actors. She suggested another informant to represent the IE. She also handpicked the co-operating firms, and the individual informants to represent the firms. The motivation for her to select these specific firms and individuals was the long co-operation with them, both at the firm level, and at the individual level. The travel manager was convinced that these informants have the knowledge and ability to reflect the changes in the core relationships. The other IE informant is a *business traveler*. Besides being a regular business traveler, he has been responsible for implementing travel management in the IE.

The IE aims at concentrating its purchase to a few reliable partners. The case *service suppliers* all operate internationally, and they are among the IE’s most important supplier partners. The travel manager negotiates contracts with the service suppliers’ account/sales managers. The business travel agency clerks arrange the practical travel according to the terms of contracts. The airline informants, *the account manager* (airline A), and *the sales director* (airline B), and the hotel chain informant, *the sales manager*, are the travel manager’s contact persons with whom the co-operation is arranged.

The IE concentrates its business travel to one *business travel agency* at a time. Not long before the interview process started, the IE changed its business travel agency partner, and both the agencies took part in the study. These two agencies will be later in the analysis addressed as “the former travel agency” and “the present travel agency”. They both belong to an international alliance that covers all the countries where the IE has operations. The *general manager* and the *district manager* represent the former business travel agency. The informants of the present business travel agency are the *Nordic manager*, and the *operation manager*. One of the business travel agency informants, the sales clerk/account manager (later: *clerk*) worked first for the former business travel agency, and moved to the present business travel agency when the relationship with the former agency ended. Thus, she represents both the agencies, and comments for them both. She devotes half of her time to account management, and half of it to practical travel arrangements. She acts as a link between operational and managerial levels, and she has direct contact with the business travelers.

**ADAPTATION CHAINS IN BUSINESS TRAVEL MANAGEMENT**

From the IE’s perspective, travel management is an important support function that helps the individual employees to complete their primary tasks (cf. Frazier and Noh, 1998). Travel purchase is generally estimated to be the second largest controllable expense after
wages (Upton, 2005), and industry reports emphasize effective travel management that helps to save travel costs. For example, it is argued that travel budgets could be 25% higher without the efforts of a travel management department (Runzheimer International, 2000). Furthermore, a survey by American Express claims that US companies are losing $500m a year through failing to manage their hotel programmes properly (Slaughter, 2009). For the travel agency and service suppliers, business travel is the core business area. The services are generally contracted for a certain period, but they require continuous interaction over time. (cf. Wynstra, Axelsson and van de Valk, 2006)

Business travel management is a process that involves several departments and units in the buyer organization, and it also utilizes the partners’ resources. The process is here investigated from the buyer’s perspective, and it can be divided into eight sub-processes that describe the phases before, during and after a business trip (see Figure 2). The process is circular, i.e. management information and analysis are used to update and plan purchasing strategy and travel policy.

![Figure 2](image_url)  
**Figure 2**  
The main phases of a travel management process before, during and after a business trip.

Two major adaptation chains are described briefly in the following. First, the IE started a saving campaign due to an internationalization process, which led to growing business travel costs. This was the reason for the IE to organize its business travel with the help of its partners. Second, technology development provided new tools to develop the process, and led to technology integrations in the different sub-processes.
Establishing the travel management process

The saving campaign was a time framed process initiated and controlled by the IE, and it set groundings for the travel management process. Before the saving campaign, the IE’s business travel purchase was transactional. Travelers and their secretaries made practical travel arrangements with a local travel agency, and they used several service suppliers. Business travelers were more or less free to travel as they wished, and no attention was paid to the costs. The IE was “famous for flying in business class, and wasting money”. (Traveler)

According to a supplier informant, the travel management was,

| a traditional distribution channel, service supplier-intermediary-end user channel…travel management wasn’t very advanced, and travel agencies acted as gatekeepers, and the roles were quite clearly divided so that buyers were buying and relaying on the travel agency’s objectivity to distribute the best and most inexpensive services from the providers. (Airline B, director)

The IE appointed a travel manager who rearranged travel management to being a global function. She analyzed the IE’s needs, and created a strategy of how to meet these needs. As a result, a centralized travel strategy was established. In the travel policy, business travel was downgraded to economy class:

Then we got this project [to organize business travel], which was a part of a big saving-project, and we started to figure out where we could save money…It was then that when we got these rules of travelling only in economy class. (Traveler)

Preferred partners and dedicated contact persons were chosen:

| We had to somehow concentrate on all the countries to which we were travelling. To get it managed in a reasonable way, to get a common policy, common partners, and common reporting. (Traveler)

More employees were involved in the travel management process in the former travel agency and the service suppliers, denoting adaptations in physical and human resources. Travel increased, and delivering economy class tickets was more demanding and time consuming than delivering business class tickets.

| We were two persons [clerks] in the city office, and then the travel manager wanted to have the travel agency here [in the buyer’s premises]. We were three to four persons, and then we were nine, so it [personnel] expanded. (Clerk)

The partners were pleased to have a travel manager with whom to co-operate. Having a contact person was a prerequisite for relationship development:

| It was good when the client [IE] got a travel manager who said how they would like to have it, what was good and what was not good. She had suggestions of how to make it easier for them to work. (Airline A, account manager)

Some travelers would have preferred traveling business class. Therefore, the new travel policy required strict follow-up. Travel management is complicated by the fact that the end user is not directly involved in creating the service processes, and the travel agency clerks were of great help in implementing the new practices:
They [the clerks] had to face a lot, every time when something didn’t work, the travelers blamed the travel agency. They thought all the changes were due to the new travel agency. (Former travel agency, district manager)

Technology integration

The possibility for internet bookings provided a new sales channel for the suppliers. However, the IE wanted to have control over travel costs, and did not allow its travelers to book directly from the suppliers. The intermediary was needed also to simplify the complicated services:

We do not have time to surf the internet, it is too expensive, and we do not find all the rates there. (Travel manager)

Adaptations in technology were important, specifically for travel agencies. Pure ticket agents were not needed any more, and travel agencies had to develop new ways to serve their clients. Therefore, the IE decided to end the relationship with the former travel agency because:

We noticed that the relationship with the first partner did not develop in the direction that would have been beneficial to us. So we had to make the decision [to change the agency]…to keep on with a long-term relationship because it would be difficult and troublesome to end it…we would lose money and nobody would develop. Therefore, we were not afraid to change the partner. (Travel manager)

The new travel agency (the present travel agency) offered a self-booking tool to book simple travel. Besides accessibility to the different rates, travel agencies started to offer different service concepts to their clients, i.e. “high-touch”, “low-touch” and “no-touch” service delivery, and charge accordingly. The client does “no-touch” bookings him/herself. “High-touch” reservations may be more complicated, and require travel agency clerk’s expertise. “Low-touch” reservations position themselves in between high-touch and no-touch. This enables resource sharing between the travel agency and IE in an efficient way:

So it is actually that we provide them [corporate clients] with the tools that our agency is sitting with, but with a user-friendlier interface. There are of course some limitations, there are some things you cannot do yourself, which is regulated by law. But other things you can do precisely as if you are a real agent, but with easier commands. If you took a skilled agent, and give this tool to them, it would take them a little less time, because we use all these shortcuts and abbreviations, and things like that. As a non-agent, it’s not your core thing, so it should be more user friendly. (Present travel agency, Nordic manager)

Due to the technology development, travel management process became more integrated, regarding payment handling, management reporting and reimbursement practices. Also suppliers realized their responsibility:

Our role as a generator of the different systems is very important in order to make it easier for the client company’s budgeting and also in order to make the travel agency’s work easier. (Airline A, account manager)
Fewer employees were needed to handle the practical travel arrangement in the business travel agency and in service supplier organizations, because “technology replaced employees” (travel manager). As the travel manager points out:

Because today travelling is a ‘mass movement’, it would require a crowd of personnel to handle it both within the buyer and the business travel agency. (Travel manager)

An entire relationships level practically disappeared from the supplier organizations, i.e. the relationship level where, for example, airline clerks answered to customers’ enquiries. Information was available on the internet, thus, the human interactions was partly replaced by technology. The supplier’s resources were cut to minimum, which, in turn had an impact on the travel agencies’ services:

We do not have the resources to do anything ourselves…earlier they often phoned from the travel agency, saying that there is a client coming to change his ticket…we can’t do it any more…the travel agency is doing it for us. Travel agencies are still our most important distributors…We do not have the capacity to serve all our clients directly. (Airline A, account manager)

Discussion

The industrial enterprise’s travel management process was established during the saving campaign. It required extensive adaptations in all the actors’ organizational structures and human resources. Schmidt et al. (2007) found that adaptations in human resources were made only after a firm has already made other adaptations, including logistics, products and production. However, adaptations in organizations and in human interaction in the service context may be rather primary than secondary adaptations. Also when implementing new practices, the travel agency clerks’ role was important.

Further development of the travel management process was enabled by technology. Process integration within the different sub-processes in travel management made the actors interdependent. However, an interesting notion is that the travel management function became dependent on functions performed rather than on specific firms. This made it easier to change the intermediary:

The buyer might choose to co-operate with an information technology provider, or a credit card company, instead of the business travel agency, provided that the buyer has extremely good knowledge of the industry. (Travel manager)

The travel manager was an expert, and with the help of its partners she was able to develop the travel management process to a well functioning process. In the current case, it is it is the industrial enterprise that is the most powerful actor, that “steers the boat”, as a travel agency informant puts it. However, adaptations were made voluntarily because the partners saw the benefits of the co-operation.

Adaptation implied most of the travel management process’ sub-processes, excluding purchasing strategy, and the travel policy, which were created by the industrial enterprise. Greatest effort was put on the travel arrangements. As a result, a self-booking system for simple travel was created. Technology development enabled also integrated payment and
CONCLUSIONS, CONTRIBUTIONS AND AVENUES FOR FURTHER RESEARCH

This study applies the network approach by the IMP group to investigate adaptation processes within triadic relationship settings that consist of an industrial enterprise, and its travel agency and service partner suppliers. Adaptations were noticed to form adaptation chains that penetrated the travel management process. Changes in the industrial enterprise’s purchasing strategy led to a number of adaptations in the suppliers’ and travel agencies’ resources and activities. Two adaptation chains were investigated. During the first one, the industrial enterprise’s travel management process was created because of an extensive saving campaign. This required adaptations in human and physical resources. The second adaptation chain is ongoing, because it is related to technology development. Technology helps in developing the different sub-processes in travel management. Naturally, the emphasis is on adaptations in technology. Lack of adaptability led even to the end of the industrial enterprise – former travel agency relationship.

This study is limited to investigate adaptations in one kind of service process, and similar kinds of business triads, where the buyer is a powerful actor. However, its findings may be used to evaluate comparable relationships where three actors co-operate within an ongoing service delivery and purchasing process. Such services are, for example, contracted health services, training services, office equipment, and car leasing services.

Corporate travel is a high cost item for many companies. Even though it is a company specific function, the results of this study may be used to evaluate the core relationships in travel management. Schmidt et al. (2007) noticed that adaptations are generally not used for explicit relationship building purposes, and a great deal of adaptations “just happen” without formal planning. In travel management, it is the buyer organization that is in the first place responsible for the function. Thus, well organized travel management and knowledgeable travel manager enhances co-operation and helps in requiring and implementing successful adaptations.

References


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