

THREE IS A CROWD: A CASE STUDY OF TRIADIC BUSINESS RELATIONSHIP ENDING

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Abstract

This paper aims to increase knowledge of business relationships' ending by using a triadic analysis. The triadic approach is chosen for two reasons, firstly because a triad is the smallest possible network, which allows a network perspective on the phenomenon. Secondly, the triadic approach allows examining internal and external coalition-forming that affects the course of events and thus differs from the traditional dyadic perspective on the ending of business relationships. As this discussion and field of research are relatively new, data-gathering plays an important role in producing holistic understanding of the phenomenon. This study uses the abductive approach, in which empirical findings are systematically combined with theoretical literature related to the topic. The study answers the questions of what kind of process takes place when a triadic business relationship is ending, what kinds of sub-processes can be identified and increases information on what kinds of coalitions companies may form during the triadic business relationship's ending process.

Keywords: problematic triadic business relationship, coalition formation, business relationship ending, tertius gaudens, external oppressor

INTRODUCTION

Business relationships facing their end have been the object of increasing research interest during the past decade. The stages of business relationships ending have been researched (Halinen & Tähtinen, 2002; Tähtinen, 2002) also in different cultural contexts (see e.g., in the Chinese context, Pressey & Qiu, 2007). Moreover, the elements accelerating and attenuating relationship termination (Tähtinen & Vaaland, 2005) and exit strategies have already been studied (e.g., Alajoutsijärvi, Möller, & Tähtinen, 2000; Giller & Matear, 2000) along with ending competence and timing in business closures (Havila & Medlin 2012).

However, triadic investigations of ending business relationship remain scarce, although firms are interdependent through inter-organizational relationships (Ritter, 2000), and sometimes "two

exchange relations are connected to the degree that exchange in one relationship is contingent upon exchange (or non-exchange) in the other relation” (Cook & Emerson, 1978). Business relationship ending is a process which influences and is influenced by surrounding network (Alajoutsijärvi *et al.*, 2000; Halinen & Tähtinen 2002; Tähtinen & Vaaland 2005). This means that dyadic examination of the topic is not adequate in order to understand the dynamic process of business relationship’s ending. Triadic approach, on the other hand allows including the influence of other network actors in the examination as triads “represent the minimum unit size capable of demonstrating network flows and the role of indirect relationships, while maximizing the potential for simplification” (Smith & Laage-Hellman, p. 40).

Research on triadic business relationship ending is scarce and empirical findings and data analysis play central position in this study. During the abductive research process different discussions and theoretical concepts have been identified, which can be used as tools when analysing the dynamics of problematic triadic business relationships. In the field of industrial marketing triadic approach has remained under researched topic, but in the field of sociology triadic analysis and research on triads has been investigated for a long period of time. Since previous research on triadic business relationships facing their end is scarce, this research paper builds on a strong empirical background and systematically combines the empirical data collected for this study with the theoretical background on ending dyadic business relationships (Alajoutsijärvi *et al.*, 2000; Halinen & Tähtinen, 2002) and sociological studies on triad ending, coalition formation in triads as well as on few researches of triadic business relationships (see Simmel, 1950; Tähtinen & Halinen-Kiala 1997; Salo, Tähtinen, & Ulkuniemi, 2009).

The aim of this study is to create a model describing the end of a triadic business relationship and to detail the characteristics that derive from a triadic perspective. The study answers the main question, what kind of a process takes place when a triadic business relationship ends? The research question is further divided into two sub-questions: i) What actions take place during a triadic business relationships ending process? ii) What kinds of coalitions can be seen?

This paper proceeds the same way as the conducted research project, starting with the empirical case. At first the background setting and trajectory of events of the case in question are described briefly. This is followed by opening up the research methodology and research design on a detailed level. After this the theoretical concepts used and the theoretical background literature are introduced. Next the case is analysed in detail allowing the empiricism of the case to reflect on the existing background literature. This entwined analysis results in a model describing the ending of the triadic business relationship and in offering new insights into dynamics and coalition formation of triadic business relationships. The paper concludes with theoretical and managerial discussions and avenues for future research.

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The background of the case

The study started when the author noticed an interesting empirical case that was documented in the media. The context of the case is health care. Finnish laws and duties oblige municipalities to

offer public health care services with trained staff and within certain time frames, starting from the first contact with the patient. However, a lack of medical doctors has resulted in situation where some municipalities, especially those situated far from larger cities, have severe difficulties fulfilling these obligations. This has led to the development of a new business area where private firms that specialize in recruiting health care staff first recruit doctors to their payroll and then rent their contributions to the municipalities for a shorter or longer time period. The volume of these contracts varies from buying one doctor's or nurse's resources to larger entities such as outsourcing a whole health center. The latter has become increasingly popular among municipalities over the past ten years. An important fact that has to be underlined here is that even though municipalities are able to outsource health care services, the responsibility for providing proper health care services within a certain time frame remains on the municipality's shoulders. And municipalities, as actors in a public sector, have an obligation by the law to organize competitive bidding before making a procurement contract. The setting is particularly interesting since health care in Finland is publicly funded and thus the end users also fund the service by paying taxes.

In 2007, the Finnish government, aiming at diminishing bureaucracy costs, passed a new law which obliged municipalities to organize health services in a new way. This law forced municipalities to form specific health care areas (20,000 inhabitants being the smallest possible population), leaving small municipalities no choice but to form consortia to produce health care services.

The three main actors and a brief outline

This case involves the Customer, Service Provider 1 (SP 1) and the End Users, who formed a triadic relationship (Figure 1). The Customer is a consortium of four municipalities who jointly bought health care-related services from a health care recruiting company SP 1 to serve the habitants of the municipalities (i.e., the End Users). The triadic relationship ended with disputes that were publicly discussed in the media.

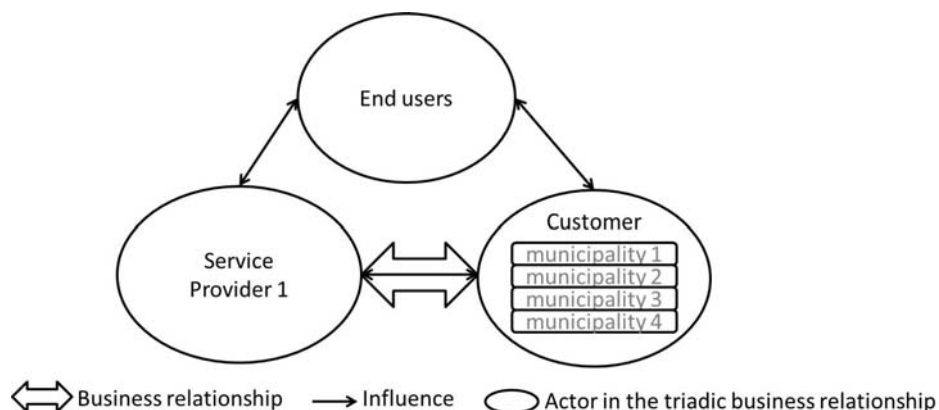


Figure 1. The three actors in the case

The health care consortium (i.e. the Customer) was formed when changes in the legislation in 2007 obliged municipalities to form health care areas of 20,000 inhabitants. All of the consortium's four municipalities had different styles and backgrounds in organizing their health care, but they all found providing sufficient health care services, especially doctor resources, difficult.

We had a situation where no matter how much salary we offered we just didn't manage to get enough doctors to the area, and that led us to outsource.

– Representative of the consortium

The consortium, being a public actor, organized competitive bidding which was won by SP 1 and the business relationship was established. Negotiations were smooth and everything seemed to be in order. Once the cooperation began it was clear from the very first day that SP 1 was not honoring its side of the contract, and doctor resources were not supplied as agreed in the contract. This resulted in problems for both the Customer and the End Users. However, the Customer found it difficult to admit these problems in public and the End Users got frustrated as service level remained poor and the Customer didn't seem to acknowledge the difficulties. This was too much for the End Users, who started to voice their concerns by using local media attention as leverage.

The situation escalated rapidly and the Customer was forced to act and demand better service quality from SP 1. Several discussions and a couple of meetings were held in which SP 1 promised to fix the situation and presented various means to do so. However, the situation was so complex that these actions did not provide a solution, the atmosphere in the relationship continued to be tense and the media interest escalated to national level. The national media attention created additional pressure, as the Customer started to fear for government intervention because of the poor service level. The situation was intolerable for all parties of the triadic relationship and something had to be done rapidly. Both SP 1 and the Customer preferred to end the relationship instead of trying to recover it. Even though the ending was a mutual decision, there were ugly negotiations over sanction fees and payments, but finally things were settled and the relationship was ended just six months after it began.

METHODOLOGY AND RESEARCH DESIGN

The foundation of this qualitative research is an empirical phenomenon and the whole research project started when the author perceived reportage of interesting events in the media and started to follow it out of curiosity. According to Ragin (1992, 9) it is possible that researcher finds a case without actually searching for one. This starts when researcher notices an empirically real and bounded, but specific case which is only identified as a case in the course of the research process. This is exactly what happened during this research project as the author paid attention to the events of the case without planning to conduct a research on the topic at this point. Only after getting more information of the business relationship's counterparts and course of events, it became possible to identify connections between the ongoing empirical phenomenon and the author's loose pre-understanding of theoretical concepts related to topic of problematic business

relationships. At this point the authors' interest in conducting a research project on the topic emerged.

The loose pre-understanding enabled author search for theoretical literature related to the topic. While following the course of events through newspaper articles and national television a rough understanding of the events was reached. At this point it was possible to identify more patterns which suggested connections to theoretical frameworks of studies conducted on dyadic business relationship ending and to identify the triadic characteristics of the business relationship in question. Researches focusing on the ending of dyadic business relationships became familiarized, and this knowledge was used when planning more systematic data gathering and interviews. Hence, this study is strongly empirical, although it can't be characterized as grounded theory because the author had a loose pre-understanding of theoretical discussion related to the topic when perceiving this research case.

The study began without a priori hypotheses or advanced theorizing of the case in question; in other words, the author started with a preliminary understanding of the phenomenon which was then looked at as a whole (see Levin-Rozalis, 2004). A case study strategy is an appropriate tool in the early phases of theory development (Eisenhardt, 1989), but before a case can exist a researcher must identify a characteristic unit (whose unity is given in, for example, concrete historical events), observe it and more importantly refer it to an analytical category of theory. A case is not really a case unless it can be interpreted and placed in a context and this is why a case study can not be merely empirical. (Wieviorka 1992, 160.) When a case study is selected as a research method it is important that the potential case is investigated carefully to minimize misinterpretations and maximize access to rich data through both source and data triangulation (Yin 2003, p. 42). According to Vaughan (1992, 175) one reason for selecting certain case(s) for a research is that they are potential example(s) of the research topic. In this research, however, the research topic was selected because it emerged from the empirical case perceived by the author. In other words, the case study method, the specific case being the object of this research and the data for this research emerged naturally from a real life's empirical phenomenon.

This study is built in an abductive manner (see Peirce, 1998, p. 226–241), empirical phenomenon being the starting point. The abductive approach and the systematic combining of theory and empiricism allow the researcher to study a new phenomenon while also paying attention to existing theories around the topic. New combinations are developed through a mixture of established theoretical models and new concepts derived from the confrontation with reality, making the abductive approach fruitful in discovering new things – other variables and other relationships (Gadde & Dubois, 2002). Kovács & Spenc (2005) state that abductive research requires a preliminary understanding of the research phenomenon, which in this study happened when the author understood that the events reported in the media were of ending a business relationship. In abductive reasoning the findings from empirical data are systematically combined with ideas from theoretical literature throughout the entire research process (see Gadde & Dubois, 2002).

Pettigrew (1997) recognizes time and history as central elements of any processual analysis and defines process as a sequence of individual and collective events, actions, and activities unfolding over time in context. Also Van de Ven (1992, 169) has argued that a process is sequence of

events that describe how things change over time. This means that timeline of events has to be paid attention in all stages of the case study as well as in building the process model.

Collecting empirical data from multiple sources plays an important part in this research. Empirical data was gathered by semi-structured narrative interviews which were taped, transcribed verbatim, and analysed with the help of nodes arising from the data. In addition, the public minutes of counterparts involved, newspaper and magazine articles, radio interviews, and TV reports addressing the events were analysed in order to include as many different kinds of sources of data as possible. “Any finding or conclusion in a case study is likely to be ‘much more convincing and accurate if it is based on several different sources of information following a corroborative mode’” (Yin, 2003, p. 92). Table 1. shows that the research data has been gathered from multiple sources. This case study relies on interviewing, observing and document analysis which are the cornerstones of a case study strategy (Denzin & Lincoln, 2008, 35).

Table 1. Sources of data

	Service provider	Customer			End users
		Consortium administration	Municipalities 1, 2, 3	Municipality 4	
<i>Interviews</i>	Service provider 1, 72 min (informant 1)	Representative of consortium, 62 min		Mayor of municipality 4, 73 min	Informant 1, 41min
	Service provider 1, 65 min (informant 2, former employee)				Informants 2 and 3, 53 min
<i>Newspaper articles concerning all parties both in regional and national medias</i>	Several newspaper articles	Several newspaper articles	Several newspaper articles	Several newspaper articles	Several newspaper articles
<i>Public minutes concerning all parties</i>		Minutes of the managing board (5 minutes)	Minutes of the board (10 minutes)		
<i>Other</i> 7 reports on regional radio channels concerning all parties; 3 reports on regional TV news concerning all parties 3 reports on national radio channels concerning all parties; 2 reports on national TV news concerning all parties					

CONCEPTS AND THEORETICAL BACKGROUND OF THE STUDY

This research paper uses triadic analysis as a tool, which allows examining a dyadic business relationship in relation to a third actor(s). Even though triadic analysis is an useful tool when

studying influence of network actors in relation to a business relationship, it has remained an under researched approach in the field of industrial marketing.

The triadic approach is especially interesting for two reasons. First of all, triadic approach to the topic allows easier access to detailed data than larger entities with multiple actors. “If for example, three member units were chosen (triads) this would offer the twin advantage that they represent the minimum unit size capable of demonstrating network flows and the role of indirect relationships, while maximizing the potential for simplification” (Smith & Laage-Hellman, p. 40) and “the triad is a structure completely different from the dyad but not, on the other hand, specifically distinguished from groups of four or more members” (Simmel 1950, 141). In addition, actors in triadic business relationships are part of networks surrounding companies, which all means that investigating a triadic business relationship offers an interesting viewpoint to dynamics of business relationships in general. “The use of three member analytic units (triads) does not imply that analysis should, by definition, be restricted to the relationships between the three focal actors. – Such a narrow use of triadic analysis would mean that the influence of the other direct relationships that the actors are involved in would be excluded, an indefensible constraint in a network context” (Smith & Laage-Hellman, p. 40).

Secondly, triadic business relationships may entail coalition formation (see Salo *et al.*, 2009); therefore the triadic approach allows an examination of how coalitions influence the course of events (Smith & Laage-Hellman, p. 40). A member of a triadic relationship may form an internal coalition (with another party within the triad) or external coalition (with a party outside the triad) in order to gain more power for voicing its opinion, and may seek to use an external coalition as leverage for voicing (Salo *et al.*, 2009). Coalition formation plays an interesting role in the triadic business relationship’s ending especially because triads have a tendency to segregate into a dyad and an isolated actor (Caplow, 1968, p. 3; Simmel, 1950, p. 135; Thibaut & Kelley, 1968, p. 193). As Caplow (1968, p. 50) points out, “coalitions that convert weakness to strength or strength into weakness always threaten to upset the status order”. This all means that triadic perspective offers new insights to business relationship dynamics discussion.

This paper focuses on the ending of triadic business relationships; but what exactly is a triadic relationship? Sociologist Caplow (1968, p. 1) defines a triad as “A social system, containing three related members in a persistent situation”. In a network context a business triad, on the other hand, is defined as “a net of three independent companies connected to each other by direct exchange relationships for the purpose of doing business” (Tähtinen & Halinen-Kaila, 1997). Holma (2009, p. 3) introduces a concept of triadic business relationship setting which consists of three actors (firms) which are connected to each other either directly or indirectly. This paper views triadic business relationship as three individual actors (A, B and C) which are interconnected by relationships (A-B, B-C, C-A) and are involved in a business relationship. This entity of relationships will be referred with the concept of *triadic business relationship*.

Business relationships consist of three substantive elements: activity links, resource ties and actor bonds (Håkansson & Snehota 1995, 24-36). Tähtinen & Halinen-Kaila (1997) define a business relationship dissolved “when all the activity links are broken and no resource ties or actor bonds exist between the companies”. In this research paper, however, a triadic business relationship is defined as ended when at least one of the relationships connecting three members is dissolved.

This means that a relationship may prevail between two counterparts of original triadic relationship, but this relationship can no longer be referred as a triadic business relationship. As Tähtinen & Halinen-Kaila (1997) put it, there are three possible, but structurally different outcomes of a business triad dissolution. (Figure 2).

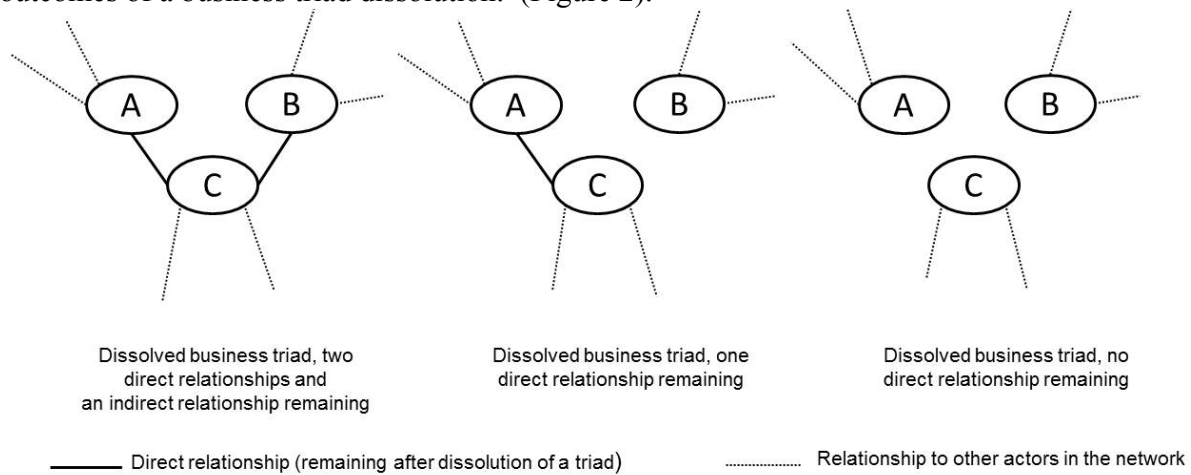


Figure 2. Three potential outcomes of a business triad's dissolution (Tähtinen & Halinen-Kaila 1997)

Concepts from dyadic business relationships ending literature

When problems in the business relationship occur, and something has to be done to change the situation into better, the company has at least two options: leave the business partner and *exit* the relationship or *voice* the concerns aiming at improving the situation in the business relationship (Hirschman, 1970, p. 33; Helper, 1993, p.142, via Halinen & Tähtinen, 2002; Alajoutsijärvi *et al.*, 2000). If exiting the relationship is not possible, a company may use voicing by announcing its discontent to current situation, this means that the reasons of potential dissolution are confronted together with the partner (*ibid*).

According to Halinen & Tähtinen (2002), a business relationship is likely to end if the reasons for ending it are stronger than the attenuating factors. Tähtinen (2001, p. 50) identifies the *predisposing factors* and *precipitating events* accelerating a business relationship's termination. Predisposing factors exist all the way from the beginning of the relationship and they are related to either the task the relationship is created to accomplish, to actors or to dyadic or network relationships. It is also possible that some sudden precipitating events take place within the companies or in their dyadic or network relationships, accelerating the ending of the relationship (Tähtinen & Halinen-Kaila, 1997) and functioning as catalysts for actors to terminate their co-operation (Tähtinen, 2001, p. 50). *Attenuating factors* on the other hand moderate effects of predisposing factors and precipitating events diminishing willingness to end the business relationship (Halinen & Tähtinen 2002) thus acting as an exit barrier (see Stewart 1998). Financial viewpoints, relational investments, sanction fees, network limitations, dissolution process costs, efforts and costs of losing a customer, possible sanctions for future business and costs of finding new suppliers all become important when assessing the relationship's future (see Tähtinen & Vaaland, 2005; Salo *et al.*, 2009).

Previous research has identified different kinds of stages and sub processes in dyadic business relationships ending process. Tähtinen (2001, 233–234) identifies *communication stage* (when communicating of ending or continuing the relationship), the *consideration stage* (when seeking information in order to reduce uncertainty before decision making), the *enabling stage* (actions aimed at finding out if ending of the relationship is possible) the *disengagement stage* (actor bonds, activity links, and resource ties weaken, disengagement takes place and for example contract disengagement is negotiated) and finally *sensemaking/aftermath stage* during which the ending process is analysed and explained within organizations. Halinen & Tähtinen (2002) present *assessment stage* (individuals involved in relationship begin to assess its future and how it could be ended), the *decision-making stage* (decisions about the relationship's future, whether to end it or try to restore it), the *dyadic communication stage* (when decision made in decision-making stage is communicated to the partner), disengagement stage and *network communication stage*, (the former partners announce ending the relationship to other actors in the network). Halinen & Tähtinen (2002) underline that different stages may take place simultaneously, for example "network communication stage is likely to occur at the same time as the assessment, dyadic communication and aftermath stages".

Concepts from triadic business relationship literature and from sociological triad literature

In problematic triadic business relationship any of the three actors can perform actions which aim either to end or to recover the problematical relationship. For example voicing can be performed by any actor alone, or any of the three members may form either internal or external coalition to gain more power for voicing. Coalition formation has an important effect on triadic business relationships dynamics and for example action where external coalition is formed in order to intensify a triad member's voicing power is called *leverage voicing*. (Salo *et. al* 2009.)

In the field of sociology the significance of coalitions and changes in the position of power are recognized to be common in triads. At least at least five roles which a third party may take have been recognized, some in the field of sociology and some in business research. The sociologist Simmel (1950, p. 135, 145–169) shows that there are three roles a third party can play: *mediator* (diminishing tension in the triad by mediating situations where other two have opposite interests), *tertius gaudens* (taking advantage of situations where the other two have a disagreement, thus seeking to fulfill its own interests), and *oppressor* (aiming to gain a dominant position by creating friction between the other two, or even trying to change one of triad's members in order to further its own goals and gain an advantage). The third party may also act as an *unifier* with a unifying role, which means that the third party's actions aim at keeping the triadic business relationship together (positive influence) instead of disturbing the relationships (negative effect) (Salo *et al.*, 2009). In addition, the third party may introduce different actors of the network to each other as well as introduce co-operation possibilities, this is called taking the role of *tertius iungens* (Obstfeld, 2005; Salvatat & Géraudel, 2012). Depending on the goals and the situation, any of the three actors may take any of the roles mentioned, acting as the third party and aiming to influence two other members of the triadic relationship.

ANALYSING THE PROCESS OF TRIADIC BUSINESS RELATIONSHIP'S ENDING

The case will be analysed next in more detail and the process model of triadic business relationship ending will be formed step by step during the analysis.

Sub-process of Voicing

When the cooperation began it was clear from the outset that SP 1 was not honoring its contractual obligations, and doctor resources available were not as agreed during the competitive bidding. This resulted in problems for both Customer and End Users.

Municipalities think that hey, we have a problem with recruiting, let's outsource this. But the truth is that even though companies participate in competitive bidding, they don't necessarily have doctors ready and the real recruiting starts only after the competition is won. – SP 1's former employee

End Users voiced their concern to the Customer, requesting change and questioning the Customer's decision to choose SP 1 as a service provider. The Customer contacted SP 1, voicing both its own concern and End Users' complaints, and requested change.

However, at this point the Customer was not eager to discuss the problems publicly because both officials and politicians in positions of power were involved with organizing the competitive bidding and negotiated the terms and conditions of the contract. Thus they felt like they were in the line of fire if SP 1 did not prove trustworthy. In addition, there are always political decisions involved in public services and since there was no consensus on how to handle the situation, it took a long time before the Customer was able to compose and file an official complaint. The problems were already significant even though it was only the second month of the contract.

Municipality 1 has had seven days without a doctor, municipality 2 has had six days and municipality 3 has had 18 days. Municipality 2 has had 'only' two days without a doctor.
– Minutes of the coalition's managing board

This led to a course of action where the End Users felt that their opinions were not heard by either SP 1 or the Customer. End Users' patience with SP 1's poor service and the Customer's inability to handle the purchase relationship had reached its limit, and coalition formation started to play a significant role in the case. Formation of a coalition within a triad divides the triad into two partners and one opponent (Caplow, 1968, 166) which is called *internal* coalition, or an actor in a triadic business relationship may form an *external* coalition with someone outside the triadic relationship in order to change its dynamics (Salo *et al.*, 2009). At this point End Users did not intend to segregate the triad, but were determined to demand better service quality from both the Customer and SP 1 thus adopting the role of *tertius gaudens*.

End Users started to use local media as leverage to get their voices heard. They demanded improvements to the situation, and this added pressure for both SP 1 and the Customer to handle

the situation. In other words, End Users formed an external coalition with the media in order to promote their goal within the triadic relationship by *leverage voicing* (Figure 3). If an actor is more concerned with satisfying its own interests than keeping the triad, its negative effects can end the existence of the triad (Caplow, 1968; Simmel, 1950), in this case End Users' interest to form a coalition resulted as increased problems in the triadic relationship.

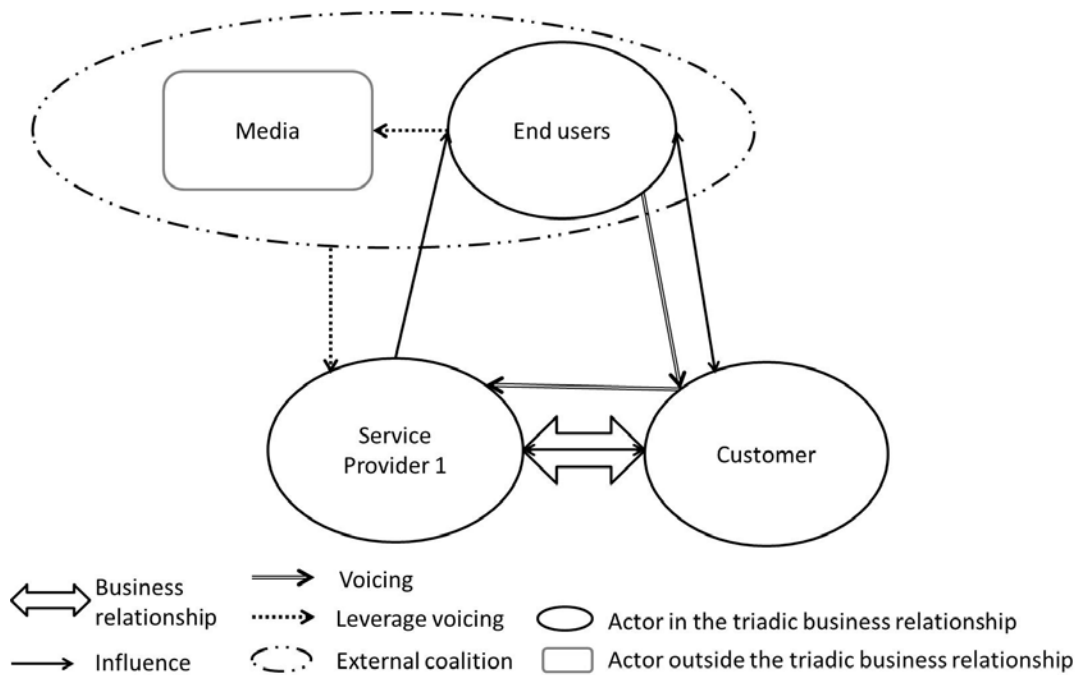


Figure 3. Formation of an external coalition in order to use leverage voicing

The situation immediately attracted a lot of local media attention, and politicians in power were blamed in both newspapers and radio broadcasts for selecting a poor service provider. The Customer contacted SP 1 informing of increased tension in the area and emphasizing its own concerns of service quality. The situation was discussed again, but there was no improvement. Problems became larger as the queues for doctors' appointments and treatments grew longer and End Users became really frustrated with the poor service level.

There were no doctors available, how are you supposed to get treatment for your illness?
– End User 1

My son's (six months old) doctor appointment at the child health clinic was changed four times. – End User 2

At the same time the media's interest rocketed, not only locally but also on a national level. The Customer became nervous and started to fear sanctions from the Ministry of Social Affairs and Health for breaking the law and failing in the duty to organize health care services. At this point political pressure also started to build so that even those (politicians and officials) who had

previously promoted outsourced medical resources and the contract with SP 1 started to question the arrangements, and the Customer was ready to give an official notice of the shortage of doctors to SP 1. The Customer and SP 1 held a meeting where a plan was drafted on how to improve the situation, and SP 1 *responded to voicing* by increasing its recruiting efforts. Despite of these *responding actions* to Customers' voicing, the situation didn't improve and SP 1 was not capable of fulfilling its contractual responsibilities. This resulted as decline in relationship's atmosphere and affected to Customer's experience of trust to the business partner in a serious way.

"We thought that of course they (SP 1) can provide the service because they participated to competitive bidding in the first place. In the beginning we thought so. But then they started to neglect the contract and we couldn't trust them anymore." -Representative of consortium

The case study shows that communication occurs throughout the triadic business relationship's ending process. Voicing concerns and sharing experienced problems within the triadic relationship is the first step of the ending process. (Figure 4.) When the voicing strategy is used, potential dissolution is confronted and it becomes possible to take steps to repair and maintain the relationship (Tähtinen & Halinen-Kaila, 1997). If the factors attenuating the relationship's dissolution are strong enough (see Tähtinen & Vaaland, 2005; Salo *et al.*, 2009), the dissolution process may end there and recovering the problematic relationship becomes possible. In this case, the SP 1's unsuccessful responding to Customer's voicing forced both to start analysing the situation and the ending process of triadic business relationship proceeded from sub-process of voicing to sub-process of analysing.

Sub-process of Voicing

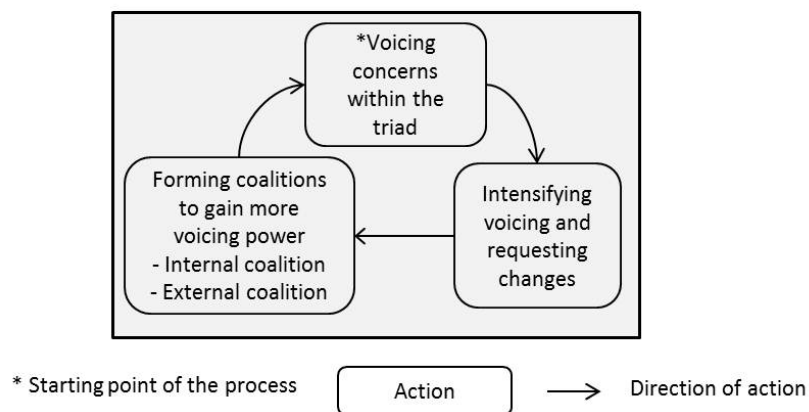


Figure 4. Sub-process of Voicing in a problematic triadic business relationship

Sub-process of Analysing the triadic relationship

Voicing concerns both internally and externally was perceived unsuccessful by both SP 1 and the Customer and they were both forced to analyse the current situation among themselves. SP 1 soon noticed significant and increasing problems deriving from the bad publicity; doctors read

newspapers too, and who would join a company in the middle of a crisis? This was an important fact hindering the effectiveness of SP 1's increased recruitment actions by which it tried to respond to Customer's voicing. In addition, their recruiting activities faced problems in other areas and municipalities as the bad publicity spread in the media. This acted as a *precipitating event* and led SP 1 to perform *enabling actions*, in other words to think about how to end the relationship with as little damage as possible. At this point these considerations were not discussed with the Customer.

There was a point when it was obvious that this is going to fail, that we just can't do this. And we started to prepare for ending the relationship with a smallest possible price tag. We didn't discuss ending the relationship with the customer at this point because we had to organize our situation internally first. – Employee, SP 1

When voicing concerns to SP 1 did not bring any results, also the Customer started to perform *enabling actions* by looking for alternative partners. At this point the Customer did not tell about this to other members of the triadic relationship, nor did they have knowledge about SP 1's increasing willingness to end the contract. The main reason for the Customer's decision was not only bad publicity and fear of governmental sanctions, but also the fact that nurses and other staff at the health centers were under serious stress because of SP 1's unstable service level, these all affecting as *precipitating events*. The Customer started to question SP 1's abilities in a very significant way.

The doctors told us that they would have liked to remain in the same place for a longer time, but SP 1 didn't organize their days properly, they had to change health centers within our municipalities all the time, even in the middle of the day! I don't know, but I had an impression that this was also one thing increasing SP 1's recruiting problem.
– Representative of the consortium

At the same time End Users' voicing and frustration became more severe and the shortages of doctor resources created significant harm for the whole health care system in the area, including staff of health centers.

It was a huge burden for our nurses and other staff, always cancelling appointments and arranging new ones and calling customers to make arrangements. It was also very expensive and endangered our services in a difficult way. – Representative of the consortium

It was annoying, I had a doctor's appointment I had been waiting for, but one day before the appointment it was cancelled and I didn't get a new appointment time because the lady calling didn't know when there would be a doctor in the health center! That is not how it is supposed to be! But then she called me back next morning and I got a new appointment time two days later. – End User 1

In this case the Customer's fear of discontinuing health care services played an important part and being in a business relationship with a partner not able to provide important doctor resources was intolerable. This left the Customer no other options than starting to seek alternative ways to organize services.

We have to produce health care services for the inhabitants and since SP 1 didn't succeed in getting doctors to the area, we had to start looking at the direction of (SP 1's) competitors.

– Representative of the consortium

Meanwhile, Service Provider 2 (SP 2) had monitored the situation in the area very closely and had played its cards well (and a bit dirtily) behind the scenes. SP 2 already knew that the situation for medical professionals in the area was difficult, and from the day the results of the competitive bidding were published, it had done everything in its power to disrupt the recruiting efforts of SP 1.

The only real competitor in the area (SP 2) didn't have enough work for their doctors since they lost this competitive bidding, but I heard they paid salaries to some of their doctors for staying home to prevent them working for us. – Former employee, SP 1

In other words, SP 2 acted as an *external oppressor* whose actions precipitated the events which lead to the triadic business relationship facing its end. SP 2 had also participated in the original competitive bidding, but with a significantly higher price. So when it got its chance to develop a business relationship with the Customer, it was ready for it and able to offer some doctors almost immediately.

The competitor (SP2) had the power of pricing their service very high and they were able to pay very high salaries. And they had these trusted doctors they had prevented from working for SP1, and they were able to bring them in almost immediately. – Employee of SP 1

Luckily we got doctors for emergency cases from another company (SP2) before anything serious happened. – Representative of the coalition

The public sector has its own limitations of bureaucracy, and in this case it took the Customer almost three months before it was able to give the SP 1 an official complaint about the shortage of doctor resources and demand sanctions and compensation fees. At this point the Customer had already *analysed the state of the relationship and capabilities of members in triadic relationship* and committed to *enabling actions* by looking for alternative business partners and establishing a business relationship with SP 2 to secure emergency health care in the area. The Customer's knowledge of SP 2's capabilities enabled more profound *consideration* of ending the relationship with SP 1 once and for all. At this point, the Customer was concerned that even though SP 2 was capable of producing the service, the price was higher. Since the End Users (taxpayers of the area) are both funding and using the health care services, the Customer was afraid that there might be more bad publicity for using SP 2, but this did not occur. On the contrary, End Users were happy to get better service and their leverage voicing through media decreased at the same time as complaints towards the Customer diminished. SP 1, on the other hand, was treated poorly in the media all the time, even though it had provided doctors to the area's municipal health centers, but there were not enough of these and the service quality was consistently poor.

I think there wasn't a single day when all the doctor resources were fulfilled as promised in competitive bidding phase. – Former employee of SP 1

The situation did not improve and so finally, five months after starting the relationship, the Customer decided to demand large sanction payments for breaking the agreement and compensation for services that were not provided. The Customer's perception of another supplier appearing to be capable and trustworthy encouraged it to form an *external coalition* with SP 2 (Figure 5). This coalition had an important effect on strengthening the relationship between the Customer and the End Users and, on the other hand, it further weakened the Customer's relationship with SP 1.

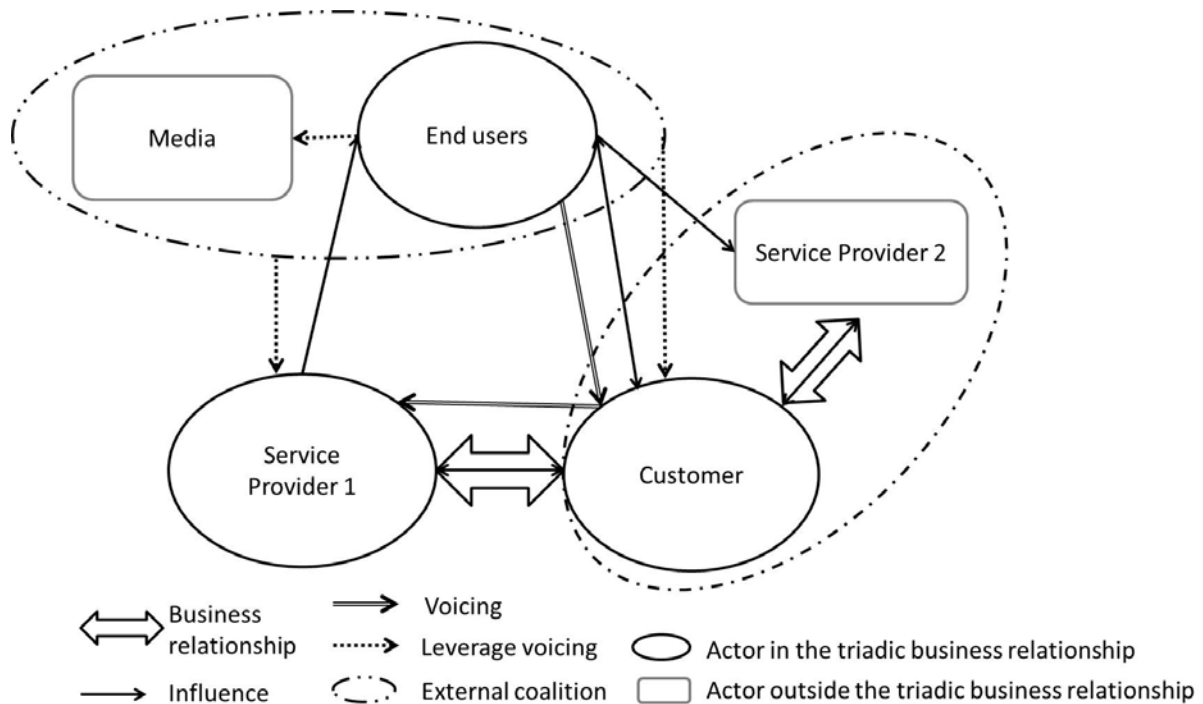


Figure 5. Two external coalitions preceding the relationship's ending

This case study reveals that, when examining the ending of a triadic business relationship, the enabling and consideration stages identified by Tähtinen (2001) are closely entwined. Firstly the case study shows that the Customer's finding an alternative service provider diminished perceived *attenuating factors* (i.e., the fact that the Customer is obliged to produce health care services by law), reducing *exit barriers* and enabling the dissolution of the triadic business relationship to proceed. Secondly, if the possibility of ending the relationship had not been considered, the search for alternative service providers would not have happened. In other words, actions which Tähtinen (2001) identifies to take place during the enabling stage and consideration stage are closely entwined, not only to each other but also to the surrounding network and, in this case, to all actors in the triadic business relationship. Thus, in the process of the triadic business relationship's ending, both enabling actions and consideration whether to end or remain in the relationship are handled as actions of the sub-process of analysing. During the sub-process of analysing the members of the triadic business relationship analyse the current state

of the relationship, capabilities of all the members of the triad, possible internal and external coalitions and their influence, and perform *enabling actions* in order to gain knowledge about the network's ability to solve problems occurring in the triadic relationship. As the result of this consideration of possibilities sub process of analysing is finalized with making a decision to either end or to try to recover the triadic business relationship (Figure 6). In a triadic business relationship the counterparts may conduct the analysis independently, or it can be influenced by an actor with whom a coalition is formed. As the current case shows, it is important to conduct analysis in order to gain enough information to make the decision about a relationship's ending.

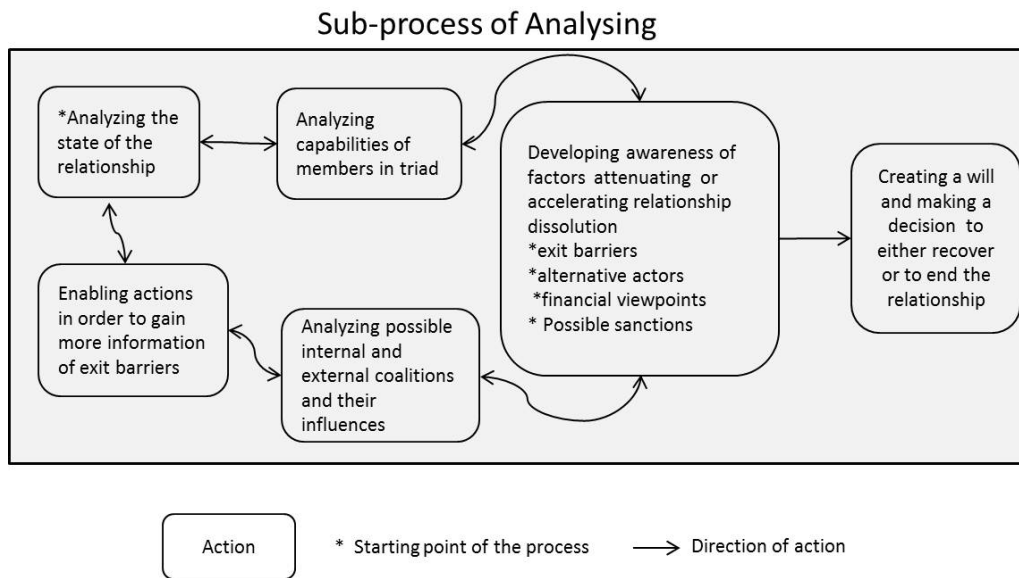


Figure 6. Sub-process of Analysing the problematic triadic business relationship

Through sub-process of analysing it became clear to both the Customer and to SP 1 that the *attenuating factors* were not strong enough. There were other, more capable, suppliers in the market, public opinion was against the current business relationship, both SP 1 and the Customer suffered from increasingly bad reputations and a fear of governmental sanctions was hanging in the air. In addition, SP 1 feared that the longer it stayed in the business relationship, the larger the sanction fees would become. Previous research shows (Salo *et al.*, 2009) that it is also possible to end up recovering a problematic triadic business relationship as a result of sub-process of analysing, but unless parties start performing restoring actions in order to recover the relationship, it is likely to end (Halinen & Tähtinen, 2002; Salo *et al.*, 2009). In this case the predisposing actions and precipitating events were stronger than the attenuating factors and neither SP 1, Customer nor the End Users wanted to continue the business relationship. Unaware of each other's decisions, they both decided to proceed towards the sub-process of disengagement and ending the triadic relationship.

Sub-process of Disengagement and ending the triadic business relationship

The Customer's demands for sanction payments and compensation fees were of course unpleasant news for SP 1. SP 1 admitted liability to penalty clauses, but there was still an argument about refund claims and the associated fees. This intensified communication between and SP 1 voiced in a letter that it was also eager to terminate the contract if the terms could be negotiated. This led to the consortium to fear that it would get neither doctors nor money (the refund claims) and resulted as consortium's withholding payment for services. SP 1 threatened to remove all their doctors from the area if the consortium did not agree to terminate the contract without claiming refunds. Lawyers were engaged but did not find any solution and SP 1 announced that the Customer was acting very unprofessionally and that it would remove all the doctors it had supplied so far. The Customer replied that they would give SP 1 two weeks to present another solution and after that would take their own actions, meaning a legal battle (minutes of the consortium).

There was a time when it wouldn't have been wise to go walking around there wearing a t-shirt with SP 1's name on it. It was a relief to end the relationship and move forward.

– Former employee of SP 1

SP 1 was in an awkward situation with the publicity and the cost of recruitment rising all the time and seeking to end the contract seemed like the only solution. SP 1 offered to partially settle the refund claims, offered two months of doctors' work free of charge and agreed to return a significant amount of money after failing to supply doctor resources. In return, the Customer agreed to reduce penalty charges. Finally, mutual willingness to end the business relationship once and for all was reached. This mutual decision was published in the media and both the Customer and SP 1 gave interviews trying to use media as a tool to diminish negative effects within the network. (The following quotes are from newspaper articles).

Doctors in SP 1 have been professionals and good, but the amount of doctors has been lower than was agreed in the contract. There have been also too many changes and different doctors. This has resulted as a lot of work for our staff and vexed inhabitants.

– Director of the consortium

Our doctors have received good feedback from customers and personnel, but unfortunately we have not succeeded in recruiting enough doctors and it is appropriate to end this business relationship. – CEO of SP 1

Even though all the actors in the triadic business relationship may be thinking of ending the relationship, the sub-process of disengagement is not as simple as one might expect and there are several things to sort out (see Figure 7).

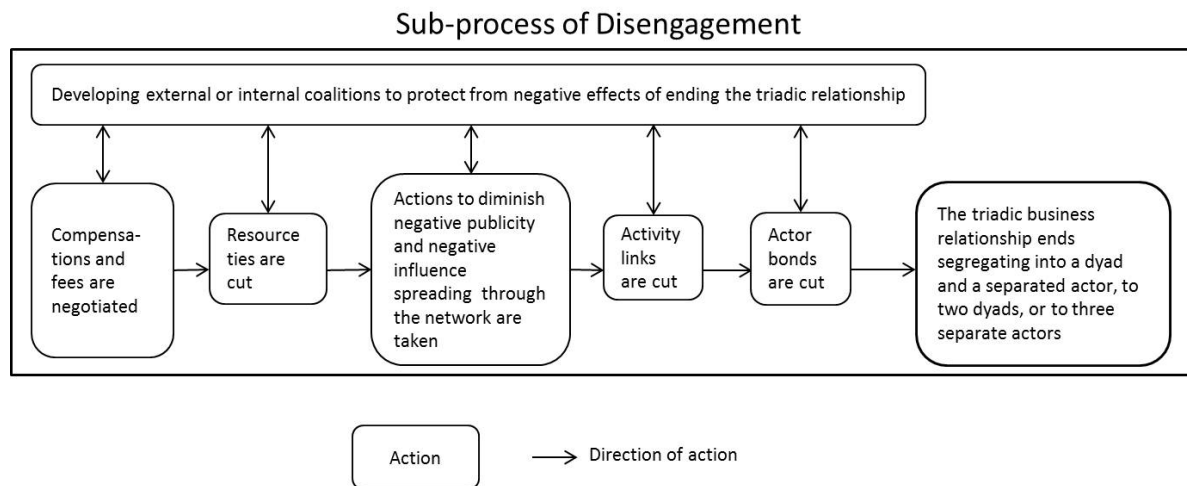


Figure 7. Sub-process of Disengagement a triadic business relationship

For SP 1 and the Customer there were several issues to handle and to organize, such as negotiating payments and sanctions, and efforts to diminish both negative publicity and network effects. In addition, as the rest of the remaining resource ties were cut down, the Customer faced a situation where relationship with the new supplier had to be strengthened rapidly. When the matter of penalty and compensation fees was agreed and handled activity links were cut. After this there was neither need nor willingness to stay in contact with the former business partner and so the actor links were cut and the whole relationship ended.

Sub process of Aftermath

Even though the triadic relationship has ended and (as in this case) segregated into a dyadic relationship and an individual actor, mental processing of the course of events can still be done in the *aftermath stage* (Halinen & Tähtinen, 2002). The purpose of aftermath is to “protect the actors, to prove that they did not make mistakes, to enable them to think what they could have done differently and to reduce their cognitive dissonance related to the process” (Tähtinen, 2001, p. 149). In addition, the sub-process of aftermath can offer a chance to learn valuable lessons and skills which can be used in other business relationships in the future (Salo *et al.*, 2009). Even if all three parties are unwilling to participate in an aftermath discussion, it is possible to share information and experiences between two members of the former triad. In this case both SP 1 and the Customer performed aftermath separately.

I'd say that one of the reasons that the problems expanded to such huge levels was the Customer's slow reaction and their lack of knowledge about how to deal with the situation.

– Former employee of SP 1

It became clear that the contracts are never detailed enough if things don't go as planned. In the future we will take more time in refining them. – Representative of the consortium

The case clearly reveals the importance of communication and the role of information in a triadic business relationship. Communication in a business relationship is important and increased information and social exchange enables increasing cooperation and adaptation in a business relationship (Metcalf, Frear, & Krishnan, 1992). In this case the lack of information was clear from the very beginning of the relationship (from the competitive bidding) when SP 1, not understanding the challenging situation in the area, offered its services at a significantly lower price than its competitor SP 2. One can also ask, why did SP 1 not request more detailed information before starting the contract or why did it not voice its concerns when it understood that the challenge was too demanding?

There was a point when the possible problems were seen on the horizon. At this point it could have been possible to admit that this is too big for us to deal with. Or we could have negotiated a partial agreement with the customer, or offered a competitor a cooperation deal, but we didn't. And my personal opinion is that it was then when we crossed the line.
– Former employee of SP 1

Conclusion

Figure 8. presents a process model of ending the triadic business relationship and summarizes the sub-processes taking place within the ending process as discussed during the case analysis. The sub-processes may take place partly simultaneously and once started, the sub-processes of voicing and analysing may continue throughout the whole process.

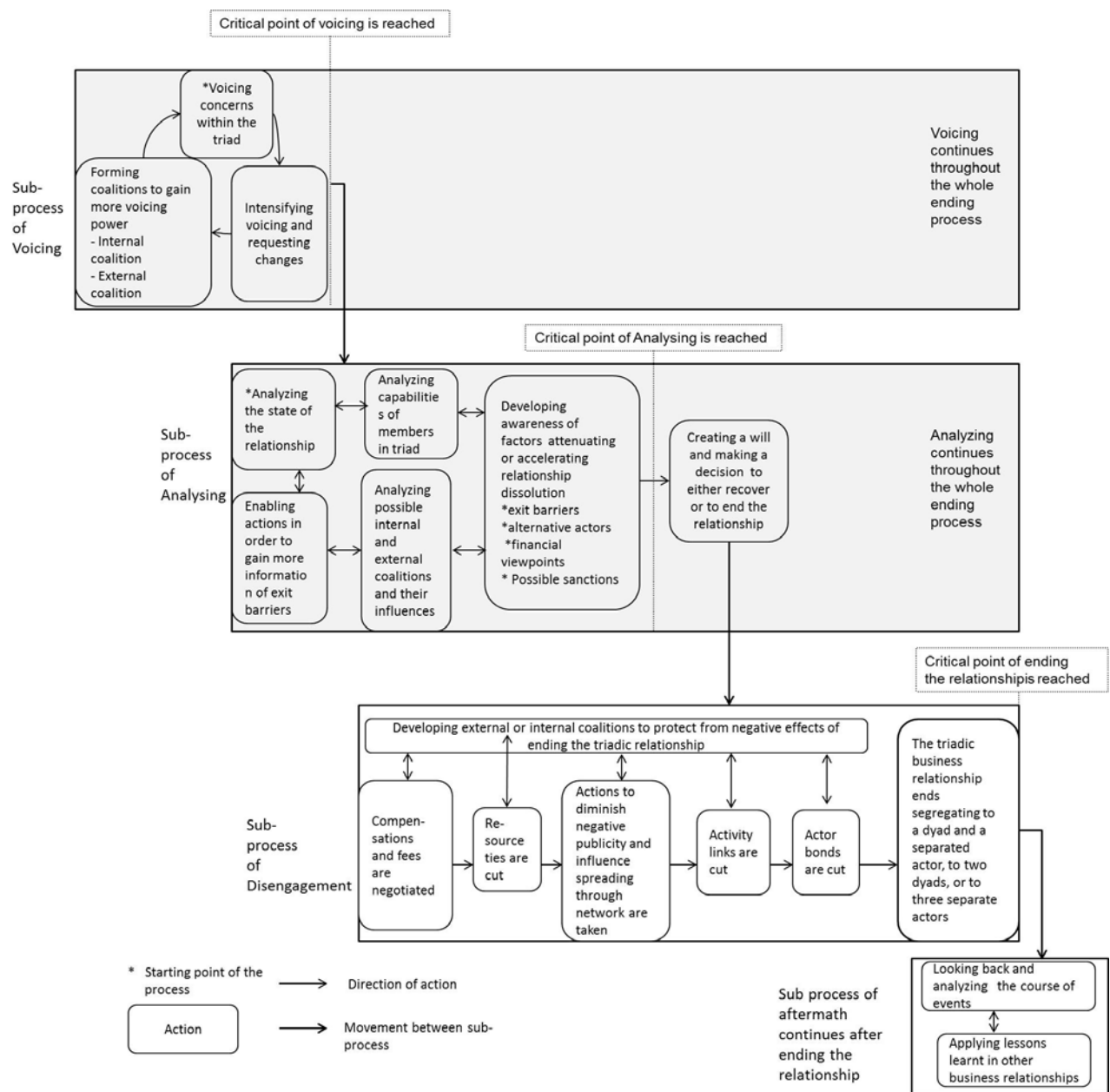


Figure 8. Ending process of triadic business relationship

The first step in the triadic business relationship's ending process is voicing the concerns when some of the three members in triadic relationship voices experienced problems to one or both members in the relationship. *Critical point in the sub-process of voicing* means a moment when the voicing party, or parties realize that voicing the concerns is not improving the situation. This is not necessarily because the one voicing is targeted at is not willing to respond to voicing and

act in order to ease problems experienced by the voicing party. Even though the one voicing is targeted at would be willing to hear the voicing and act in order to improve the situation, these actions are not necessarily sufficient or successful. If the situation is difficult, the voicing party may not have luxury of time and at some point, after realizing that despite of voicing situation doesn't improve, it starts to analyse the relationship in more detail thus moving to sub-process of analysing the relationship.

In the sub-process of analysing the state of the relationship, characteristics and abilities of other members of the triadic relationship and possible coalitions and their influences are analysed, also more information is gathered of exit barriers. *Critical point in the sub-process of analysing* means a moment when sufficient amount of information is analysed and an actor has enough knowledge of the situation to back up its decision of whether to end the triadic business relationship or to try to recover it. If the decision is made to end the relationship, the process of ending a triadic business relationship will continue and proceed to the sub-process of disengagement.

Sub-process of disengagement results in ending the relationship, in other words as the result of this sub-process resource ties, activity links and actor bonds are cut. Members of the triadic relationship may still work together in order to diminish negative network effects or to avoid negative publicity, or these actions may be performed by only one or two members of original triadic relationship. The last sub-process of ending a triadic business relationship is sub-process of aftermath when counterparts look back and analyse the course of events either by themselves, with another or both members of former triadic relationship, or with an external actor. Using lessons learnt in other business relationships is also considered as an action of aftermath sub-process.

The counterparts in the triadic business relationship do not necessarily proceed to these sub processes simultaneously, and it is possible that one is already in the sub-process of analysing when the others are still in the sub-process of voicing (as the case study shows). In addition, both sub-processes of voicing and sub process of analysing are likely to continue throughout the ending process unless the problems are solved or the relationship has ended.

DISCUSSION

This study has increased knowledge about the process of ending a triadic business relationship and about coalition formation in business relationships thus contributing to discussion of business relationship's dynamics. The study answers the main research question of what kind of a process takes place when a triadic business relationship ends by presenting the process model of triadic business relationship ending with the sub-processes of Voicing, Analysing, Disengagement and Aftermath. Critical points in the process and different actions taking place during the sub-processes are identified.

The research findings show that during the triadic business relationship's ending process different kinds of coalitions may emerge and a member of a triadic business relationship may have different roles during the ending process. It has to be remembered that both the roles and the means of striving for one's own goals may change over time, and this may lead to involving counterparts outside the triadic relationship in order to make changes in its dynamics. Existing

triad literature recognizes coalition formation and the role of oppressor (Simmel 1950; Caplow 1968). This research revealed that there may be also an *external oppressor* acting outside the triadic relationship aiming at ending the triadic business relationship. The concept of external oppressor emerged from the case study and, thus, contributes to the theoretical discussion of triadic business relationships and business triads.

As defined by Tähtinen & Halinen-Kaila (1997 p.560) business relationship is dissolved when “all activity links are broken and no resource ties and actor bonds exist between the companies”. This case study reveals that during the triadic relationship’s ending process activity links, resource ties and actor bonds with one of the triadic relationship’s members may be broken, but at the same time all three (activity links, resource ties and actor bonds) with another member may be strengthened. This case does reveal that in the circumstances where there are potential alternative business partners in the market a member of a triadic relationship can be replaced with another actor outside relationship, and that the relationship of the two remaining members of the original triadic relationship may benefit from this change.

MANAGERIAL IMPLICATIONS

This research has discussed what happens when a triadic business relationship is facing its end, the dynamics of triads and coalition formation. From a managerial viewpoint this research has produced information of possible triggers of dissolution and it thus increases knowledge of how difficulties could be avoided by paying attention to these things, while negotiating terms and conditions in the beginning of the relationship. One key thing that this research reminds managers of is that there are always actors in the network who may affect to any of the three triadic business relationship’s members. And furthermore, if the counterpart’s voice is not heard within the triadic relationship it may start looking for leverage from beyond, and aim to form an external coalition.

Both from a financial point of view and also because of reputation, it is good if problems in business relationships are identified and analysed as early as possible, in other words before problems expand. Based on this case study, problems in a business relationship don’t vanish by merely disregarding them. Instead, if the problems one or two parties of triadic relationship are suffering from are not dealt with, it is possible that one of these actors aim to go public and the word spreads to surrounding network. The results of this research encourages managers to increase communication with all the members of the triadic relationship if problems are perceived. It can be presumed that the more internal communication there is within the relationship, the less members look for external coalitions. On the other hand, if one of the three members is not heard it is likely to seek leverage from external coalitions.

EVALUATION OF THE STUDY

This study is qualitative and its trustworthiness is evaluated here by criteria developed by Lincoln & Guba (1985): credibility, transferability, dependability, and confirmability of the research. The credibility of the research has been increased by careful selection of the case which allowed data

triangulation using multiple sources of data (interviews, minutes, newspaper articles and other media coverage), and by interviewing all actors in the triad. Triangulation of data is important because it allows for the perception of congruence in the data which improves dependability. In addition, quotations from interview data in the case analysis improve confirmability as they reveal the chain of logic to readers, allowing them to follow the researcher's analysis and to make their own assessments. This study, similarly to any single case study, describes the phenomenon in its own context. In order to improve the transferability of the results to other situations, the context of the case and the background of the events was presented carefully.

SUGGESTIONS FOR FUTURE RESEARCH

The more companies outsource their activities, the more important their relationships to the surrounding network become as an asset. This makes researching problematical triadic business relationships, their ending and their recovery a relevant research area. The process model of ending triadic business relationship identifies different sub-processes through which the triadic business relationship faces the end. An interesting topic for future research would be to investigate, how the variation in attraction, trust and commitment influence to and are influenced by the ongoing ending process. Describing this connection in a more detailed level is a worthwhile topic for future research.

The coalition formation perceived in triadic business relationships is an interesting sign of power use. A worthwhile question is, could coalition formation be used as a network management tool? Furthermore, the different roles of the third actor are also interesting when focusing on coalition formation, what other roles can be identified in the future research? Is it possible to identify triggers that encourage a member of a triadic relationship to form an external coalition with another actor in the network?

This research shows that voicing in the triadic business relationship's ending process can be conducted within a coalition, either internal or external, and that an external actor can play an important part when conducting an attenuating analysis. However this research does not reveal whether the stage of analysing the relationship could also be conducted within a coalition. This would be an interesting topic for further research, giving more insights into coalition formation

Communication and sharing information have an important role in the process of recovering problematic triadic business relationships (Salo *et al.*, 2009), so another interesting question is, whether a low rate of information and social exchange is related to decreased cooperation and also the termination of the triadic business relationship? How does a variation in communication activity influence in member's abilities to solve problems in triadic business relationships?

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