

Episodes: A Catalyst of Bond Dynamics? Cases from the Truck Producing Industry

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ABSTRACT

An episode can be defined as a discernible series of acts occurring in the business relationship, affecting the bonds in the relationship, strengthening, weakening or keeping the bonds at status quo, the bonds are evaluated by the individuals involved in the relationship. In this paper episodes are proven to function as a catalyst of the weakening and strengthening of bonds.

Introduction

The relationship between suppliers and industrial buyers has changed so that at present stable relationships between suppliers and buyers is a prerequisite for a good business climate. Demand for lower prices and an increase in profits, shorter product cycles and global competition are some of the forces affecting suppliers and buyers in the industrial market to have stronger relationships (Holmlund & Kock 1995). For instance in the truck producing industry the companies have begun to decrease the number of suppliers and have instead started more intense cooperation with the remaining suppliers. As a result the bonds between companies has become more important since bonds are part of the components in the cooperation that affect the stability.

From my point of view it is interesting to get to know more about the nature and change of bonds in a dynamic perspective so that is why it is important to look at bonds and how they are formed in episodes. An episode affect's the bonds in the relationship strengthening or weakening the bonds in the relationship or preserving status quo. It is important to be able to detect which episodes that weaken the relationship and which episodes that contains incidents that may break the relationship, and to know which kind of episodes that strengthen the relationship between the buyer and the supplier (Liljander & Strandvik 1995).

It is important to make a difference between the relationship and the individual episodes that it consists of (Ford 1980). An episode is an event limited in time that consists of several actions. Acts are exchange elements such as products, information, financial or social contacts (Håkansson 1982; Holmlund 1997). Several interrelated acts constitute episodes. An episode could also consist of only one act such as an ATM withdrawal. (Liljander & Strandvik 1995). Episodes can for instance be contract negotiations, product development, a TS 16949 audit and product testing or delivery process. Different kind of bonds grows stronger or weakens during different episodes. The episodes are proven to function as a catalyst of the weakening and strengthening of bonds.

The strength of bonds varies due to the episodes. Bond strength can be defined as “the capacity to withstand a disruptive force” (Easton & Araujo 1986; Easton & Araujo 1989; Easton 1992). “The strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which

characterize the tie” (Granovetter 1973). The relationship will not be easily terminated if the bonds between the companies are strong (Hammarkvist, Håkansson & Mattsson 1982; Halinen 1994; Järvinen 1997). Bonds are weakened by incidents that are experienced as negative (Järvinen 1997). Relationships with weak bonds are considered to be rather volatile (Easton 1992). Bonds are however usually neither weak nor strong but something in between, some bonds may be strong and some bonds may be weak inside the same relationship. (Hammarkvist, Håkansson & Mattsson 1982); Halinen 1994; Järvinen 1997) Bonds develop differently and the strength of bonds varies over time even inside the same relationship. (Hammarkvist, Håkansson & Mattsson 1982; Halinen 1994; Järvinen 1997)

In the case of the truck producing industry the product development process may for instance strengthen the technical and knowledge bonds between the cooperating counterparts. Logistics projects may increase the strength of the time bonds between the companies. Time bonds may weaken in episodes where lead-time has increased due to problems in the suppliers production. The strength of social bonds increase in episodes where people get to know each other and decreases when people get into “fights” and the discussion climate gets inflamed.

I have divided the episodes into a categorization of three different episodes in business relationships. There are negative critical episodes, positive critical episodes and routine episodes. All these episodes may affect bonds. The bonds may weaken due to negative critical episodes, strengthen due to positive critical episodes or weaken, strengthen or remain at status quo due to routine episodes. When either negative or positive critical episodes take place they either strengthen or weaken the bonds between the cooperating counterparts.

The findings are based on six case studies between a supplier of suspension components to the truck producing industry and six truck producing customers of whom four are regarded to be major players in the business. All cases have confirmed the findings of the study as have the validating case with a major producer of trucks and its cases to suppliers. Short examples of routine, negative and positive episodes leading to weakening or strengthening of bonds are also included. Interviews have been conducted with personnel from logistics, quality assurance, product development, sales, buyers and other people involved in the cooperation between the companies.

Bonds

There are different kinds of bonds in theory. In the first IMP (International Marketing and Purchasing Group) affiliated papers there were only two bonds present namely technological ties and social bonds (Håkansson 1982). Later the number of bonds was raised to five, including technical, time, knowledge, social, and economic/legal bonds (Hammarkvist, Håkansson, & Mattson 1982). Some years later in 1987 there were six bonds present, i.e. technical, planning, knowledge, social, economic and legal bonds (Johanson & Mattsson 1987). These six bonds do however not give a picture that would cover industrial relationships completely (Wendelin 2000a, 2004). Additional bonds have been recognized in the past years in service marketing. Bonds such as cultural, ideological, geographical and psychological bonds have been added to the technical, time, knowledge, social, legal, and economic bonds. (Liljander & Strandvik 1995) By combining the bonds that the IMP group has found with those from the service marketing perspective a more complete model have been found. Geographical, cultural, ideological and psychological bonds are also important from an industrial perspective. Wendelin (2000a, 2000b) and Buttle, Ahmad & Aldlaigan (2002) have also applied these ten bonds in an industrial perspective. Arantola (2003) found that almost all of the 10 bonds with the exception of ideological bonds existed in consumer relationships as

well. One additional bond, namely strategic bonds have been found to complete the structure with 10 bonds (Wendelin 2004).

The model structure containing 11 bonds is the richest and most expanded view on bonds at present. It incorporates findings from sociology, industrial and services marketing and it is bridging gaps that have existed in the industrial business relationships literature. Gaps have existed regarding for instance cultural, ideological and psychological bonds. It is also a manageable structure that is easy to use and utilize for analyzing empirical material even though the structure is rich and I perceive it to be the most suitable model for my purpose.

These different bonds bond tie the buyer to the supplier and make it more difficult for the cooperating companies to terminate the relationship and break the existing bonds. (Wendelin 2000a) This is among other things due to the fact that it would be expensive to build up new relationships with other suppliers or buyers. The money and time invested in the relationship would also be lost.

Bonds tend to have different names depending on the author. Bonds can be named as such or as ties and links. For simultaneous use of ties and bonds for the same phenomenon see for instance Turner (1970), Wilkinson & Young (1994) or Buttle, Ahmad & Aldaigan (2002). For links being used meaning the same as bonds see e.g. Wilson & Mummalaneni (1986) and Thorelli (1986). In most cases the difference between bonds, ties and links is unclear. The same phenomenon is described using different words. It is however a unitary phenomenon. I have used the notion bonds since this is the most commonly used concept see e.g. Simmel (1906), Small (1915), Wirth (1938), McCall (1970), Wilson & Mummalaneni (1986) and Easton & Araujo (1986, 1989).

I have focused on the 11 bonds mentioned above in the study since these seem to describe a business relationship best (Wendelin 2000b, 2002, 2004). The model with 11 bonds is easy to use both from a theoretical viewpoint and also in order to help companies improve their performance. Short examples of the bonds studied in this paper follow below.

Technical bonds see e.g. Hammarkvist, Håkansson, Mattson (1982), Johanson & Mattsson (1987), Easton (1989), (Kock 1991) and Erbismann, Kock & Strandvik (1998). Technical bonds stem from the characteristics of the products and services that are exchanged. Companies adjust the technical products and processes according to their counterpart's specifications (Easton 1989, 1992). **Time bonds** see e.g. Johanson & Mattsson (1987) and Kock (1995). Time bonds develop when the companies in the relationship adapt their logistic functions to each other (Johanson & Mattsson 1987). **Knowledge bonds** see e.g. Kock (1991), Proenca & Castro (1997) and Nonaka (1994). Knowledge bonds develop with time as the cooperating companies learn more about each other's strengths and weaknesses, opportunities and problems. This happens when companies for instance develop products together. **Social bonds** see e.g. Simmel (1906), Small (1915), McCall (1970), Granovetter (1973), Håkansson (1982) and Wilson & Mummalaneni (1986). Social bonds develop between personnel from the companies that cooperate in the dyad and not between the companies themselves (Kock 1991; Erbismann, Kock & Strandvik 1998). For **legal bonds** see e.g. Macaulay (1963), Palmer, Friedland & Singh (1986) and Johanson & Mattsson (1987). A long-term contract is a legal bond (Palmer, Friedland & Singh 1986) (Johanson & Mattsson 1987; Mattsson 1987). A contract overall or other articles of involvement or ownership can also constitute legal bonds (Halinen 1994). Quality certifications like ISO 9001, QS 9000, EMAS, etc. and environmental certifications like ISO 14001 or even more stringent military

quality certifications than QS 9000 can also be considered as legal bonds between companies (Wendelin 2002). For **economic bonds** see e.g. Johanson & Mattsson (1987) and Kock (1991). Special credit arrangements constitute economic bonds (Johanson & Mattsson 1987; Halinen 1994). Mutual investment in the business by the competing firms that is investing in each other's business also constitutes an economic bond (Proenca & Castro 1997, 1998, 2000). For **geographical bonds** see e.g. Lincoln, Gerlach & Takahashi (1992), Liljander and Strandvik (1995) and Wendelin (2000a). Geographical bonds have to do with how suitably located the supplier is from a buyer point of view. The view of how suitably located the supplier is can vary over time in the relationship. Wendelin (2002) For **cultural bonds** see e.g. Liljander & Strandvik (1995), (Roslin & Melewar 2000) and Wendelin (2000a) Cultural bonds develop between suppliers and buyers with a similar cultural background (Liljander & Strandvik 1995). **Ideological bonds** are such bonds that make a buyer choose suppliers that for instance manufacture green products, or domestically manufactured products (Liljander & Strandvik 1995). **Psychological bonds** develop when for instance the buyer is convinced that the products manufactured by the supplier or a service are of superior quality (Liljander & Strandvik 1995). **Strategic bonds** Strategic bonds are bonds that emerge when the companies have it in their strategy and make a strategic decision to cooperate (Wendelin 2004). The strategic importance of the supplier or the buyer might be important due to for instance economic, technical, geographical, and psychological or reasons connected to production capacity (Wendelin 2004).

I perceive bonds to be the building stones of relationships. A relationship is built up of several different types of bonds. By managing the bonds it is possible to strengthen or weaken the relationship. My definition of bonds is as follow:

I define bonds in the following manner based on the cumulative process above. Bonds are the concrete or abstract technical, time, knowledge, legal, economic, geographical, social, cultural, ideological, psychological and strategic value creating, neutral or value reducing factors that form the building stones of the industrial business relationship. Bonds can be mutually or one-sidedly value creating or value reducing. The sum of the total package of bonds in a relationship equals to the total value of the relationship.

Bonds are value reducing if they are causing negative effects in the relationship functioning as exit barriers or if they are weakened and lead to negative effects weakening the relationship.

Bond strength

Bonds strengthen and weaken or remain at status quo in the cooperation in business relationships. Relationships are dynamic. The episodes that constantly take place in business relationships keep the bonds at a constant state of flux. Three different kinds of episodes exist in business relationships. These are negative critical episodes, positive critical episodes and routine episodes. All these episodes may affect the 11 bonds. Bonds may weaken due to negative critical episodes, strengthen due to positive critical episodes or weaken, strengthen or remain at status quo due to routine episodes.

The strength of bonds varies due to the episodes. Bond strength can be defined in several ways. Bond strength can be defined as "the capacity to withstand a disruptive force" (Easton & Araujo 1986, p. 12; Easton & Araujo 1989, p. 101; Easton 1992, p. 10). "Bond strength indicates the level of interdependence and continuity in the relationship" (Järvinen 1996, p. 45). "The strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which

characterize the tie” (Granovetter 1973, p. 1361). “The strength of a bond is a difficult parameter to measure” (Easton 1992, p. 10). The existence of strong bonds plays an important role in the network approach (Easton & Araujo 1986, 1989). This is due to the fact that significant structural changes cannot take place without the breakage of strong bonds and the existence of strong bonds makes the network system more stable (Easton 1992). High bond strength is very often taken for granted in studies of industrial relationships (Easton & Araujo 1986, 1989). The relationship will not be easily terminated if the bonds between the companies are strong (Hammarkvist, Håkansson & Mattsson 1982; Halinen 1994; Järvinen 1997). Bonds are weakened by incidents that are experienced as negative (Järvinen 1997). Relationships with weak bonds are considered to be rather volatile (Easton 1992).

Weak bonds can also be positive due to the fact that weak bonds in a network make it possible for new members to enter the network. “All bridges is weak ties” (Granovetter 1973). It is thereby easier to start cooperation with members in the network or to form social bonds with members of the network. Without weak bonds it would for instance be difficult for individuals to integrate into communities. Strong bonds breed local cohesion but leads to fragmentation when looking at the big picture. That means that there are different networks that are strong but there are no cooperation or points that meet between the networks. (Granovetter 1973)

An example of this from the truck producing industry would be that different truck producers have different suppliers and partners in the cooperation that they have strong ties to and they do not have anything to do with suppliers to other companies or to other truck producers. This is of course not the fact. Suppliers cooperate with each other and change ideas, etc. regarding technical issues, needs that certain buyers have, etc. Usually information is exchanged between suppliers that have weak bonds to each other. This may be due to the fact that they do not supply the same networks and therefore see no risk of threat from cooperating sporadically, like for instance a threat that the other supplier should take ones customer.

The relationship will not be easily terminated if the bonds between the companies are strong. Bonds are however usually neither weak nor strong in the relationship but something in between. Some bonds may be strong and some bonds may be weak inside the same relationship. (Hammarkvist, Håkansson & Mattsson 1982; Halinen 1994; Järvinen 1997) Bonds develop differently and the strength of bonds varies over time even inside the same relationship. (Hammarkvist, Håkansson & Mattsson 1982; Halinen 1994; Järvinen 1997) The relative weight of the bonds in the relationship does however differ as some important bonds may be strong and some less important bonds may be weak and vice versa. The company’s position may be technically very well defined while the social bonds may however be weak. (Hammarkvist, Håkansson & Mattsson 1982). The total weight of the bonds and the strength of the bonds in the relationship determine if the relationship is strong or not. The strength of bonds that are seen as important for the relationship is more important than the strength of bonds that are not considered as important for the relationship.

Bonds vary in strength from minimal strength to very strong bonds and the bond strength is relative. (Easton & Araujo 1986, 1989). High bond strength is very often taken for granted in studies of industrial relationships (Easton & Araujo 1986,1989). Adaptation increases bond strength. Bond strength is also increased when events that have significance to the relation in the long run happen, such as computerization, etc. (Järvinen 1997)

A precondition when economic exchanges take place between a supplier and a buyer is that a bond must exists in however weak a form it is. Sometimes the existence of strong bonds may

be seen as a self-evident truth. The network approach is said to be valid when bonds are strong but bonds vary in strength all of the time and it is therefore impossible to assume that the network approach only could be valid when bonds are strong. (Easton & Araujo 1986, 1989) When the supplier and buyer stop doing business with each other the bond can be considered severed. When there are infrequent purchases it is not clear when the bond begins to exist and when it dies. (Easton & Araujo 1989) It can be argued that the length of a relationship does not affect bond strength since bonds go through different phases during the relationship (Easton & Araujo 1986, 1989).

Relationship outcomes

Relationship strength is connected to how strong the relationship is after the weakening or strengthening of the bonds. This is connected to the outcome of bond dynamics. Episodes lead to the weakening and strengthening of bonds or that bonds remain at status quo and relationship termination when bonds are broken, partial termination of the relationship or continuation of the relationship when bonds are strengthened or remain at status quo are relevant relationship outcomes.

Episodes

It is important to make a difference between the relationship and the individual episodes that it consists of (Ford 1980). An episode is defined by (Gadde & Håkansson 1993) as a type of event, limited in time. Issues that can comprise episodes between buyer and seller are for instance a joint development project, testing a new product, re-negotiating a long-term contract, or an individual order-to-delivery process of a certain customer order. (Ford 1980; Gadde & Håkansson 1993; Håkansson & Gadde 1997)

Episodes are considered to consist of four different types of exchanges between two cooperating counterparts in an industrial market. The types are product or service exchange, exchange of information, financial exchange and social exchange. (Håkansson 1982; Liljander & Strandvik 1995; Tuominen 1999; Järvelin 2001)

An episode can for instance be a negotiation process, shipment process, product or manufacturing development process, a logistic project, an audit (such as QS 9000 or ISO 14001) process, etc. An episode could also consist of only one act such as an ATM withdrawal etc. (Liljander & Strandvik 1995).

Everything that happens in an episode is not important for how the relationship is perceived. Some episodes may be critical and some may be routine episodes. According to Holmlund (1997), Järvelin (2001) and Gidhagen (2001) the critical episodes may have more influence on how the relationship is perceived while routine episodes does not affect the relationship.

Holmlund (1997) argues that for instance visits, tests, signing of the contract, audits, surveys, production, and means of transport constitute acts. I do not agree with Holmlund (1997) in that a large difficult progress like an audit could constitute an act but I chose to define an audit as belonging to the episode category. This is due to the fact that an audit most certainly consists of a number of acts. Acts are exchange elements such as products, information, financial or social contacts (Håkansson 1982; Holmlund 1997; Holmlund & Strandvik 1997, 1999). An act can for instance be a phone call (Holmlund & Strandvik 1999). Several interrelated acts constitute episodes (Liljander & Strandvik 1995).

Ford (1980) argues that every episode is affected by the norms of the relationship and the general way business is being done in the relationship as well as the atmosphere of the relationship (Ford 1980; Håkansson 1982; Brennan & Turnbull 1995). The atmosphere of the relationship is in turn also affected by every episode (Brennan & Turnbull 1995). The atmosphere of the relationship i.e. is there conflict or good cooperation affecting the relationship. Sometimes the relationship might even be terminated due to one single bad episode. But these bad episodes are usually nothing more than a culminating episode in an already poor relationship. (Ford 1980) Each episode in the relationship is affected by the other episodes in the relationship and in turn affects them; episodes do not take place in isolation (Ford 1989).

The definitions for episodes are very similar and no obvious differences exist between business-to-business marketing and service marketing literature. Liljander and Strandvik (1995) who belong to the service marketing discipline present exactly the same definition as the industrial marketers, with the exception of the use of the word service exchange. “An episode can be defined as an event of interaction which has a clear starting point and an ending point and represents a complete service exchange. Within the episode, there can exist several interactions (acts).” (Liljander & Strandvik 1995, p. 148)

I have chosen to use the main thought of the definitions of episodes that have been put forward and I define an episode as an event limited in time that consists of several actions. Episodes can for instance be contract negotiations, product development, and product testing or delivery process. The reason for the definition is that when using the abductive method it has been possible to form the definition with help of the empirical material. I have had the possibility to look at the phenomenon in retrospective. Episodes in the empirical material have proved to be limited in time and to consist of several actions such as delivery processes.

Findings

These are the findings based on the case studies.

Episodes in industrial networks

From my point of view it is interesting to get to know more about the nature and change of bonds in a dynamic perspective so that is why it is important to look at bonds and how they are formed in episodes. An episode is affecting the bonds in the relationship strengthening or weakening the bonds in the relationship or preserving status quo.

Different kind of bonds grows stronger or weakens during different episodes. The visits, tests, signing of the contract, audits, surveys, production, transports etc. constitute acts. Acts are exchange elements such as products, information, financial or social contacts (Håkansson 1982; Holmlund 1997). Several interrelated acts constitute episodes.

In the truck producing industry the product development process is usually the first bond episode. In the beginning of a new series of trucks the suppliers are contacted in order to get ideas from the potential suppliers of how components should be developed. Potential suppliers are the suppliers that know the truck producing industry or have residual or potential bonds to it. It is easier for a supplier who has supplied the truck producing industry before to start supplying other truck producers as well since they know the business.

In start up situations when a company starts to give offers in order to supply to a certain industry a company will attempt to build bonds in order to establish a structure for the

business. Strong social bonds between companies may have been built up. Adaptations as 24-hour service or stockholding may have been made. Joint ventures between potential suppliers have been made. (Easton & Araujo 1986, 1989) This state is called a potential bond by (Easton & Araujo 1986, 1989). Potential bonding is a risky business especially for potential suppliers since these make investments before they can expect any reward (Easton & Araujo 1986, 1989). Investments in for instance production tooling or other investments in the production or development can become very costly if they are made in vain. The same goes for investments in electronic systems like EDI applications, etc.

Blueprints of ideas of product features are exchanged, products are tested, engineer's visits the counterparts company frequently and the materials and surface treatments are chosen. During the negotiation process the counterparts visit each other's companies, there is discussions and an agreement is signed. Development of the manufacturing process may include visits of counterparts from the buyer/supplier that gives ideas of how the product could be manufactured or used more efficiently for instance in order to save costs. Logistics projects may focus on a way to decrease production lead times with visits by people from the logistics departments. Audits are when auditors visit the supplier to see if the supplier complies with the regulations of for instance QS 9000 (currently TS 16949), ISO 14001, military audits, as well as when yearly surveys of the customer satisfaction is made in order to comply with for instance QS 9000. The delivery of products includes an order over the EDI system, manufacturing of the products, packaging, transports, unpacking and quality control, making a complaint if there is problems with either packing or product and sending and paying the invoice.

In the case of the truck producing industry the product development process may for instance strengthen the technical and knowledge bonds between the cooperating counterparts. Logistics projects may increase the strength of the time bonds between the companies. Time bonds may weaken in episodes were lead-time has increased due to problems in the suppliers production. The strength of social bonds increase in episodes where people get to know each other and decreases when people get into "fights" and the discussion climate gets inflamed. Figure 1. Show how bond strength fluctuates in different episodes.

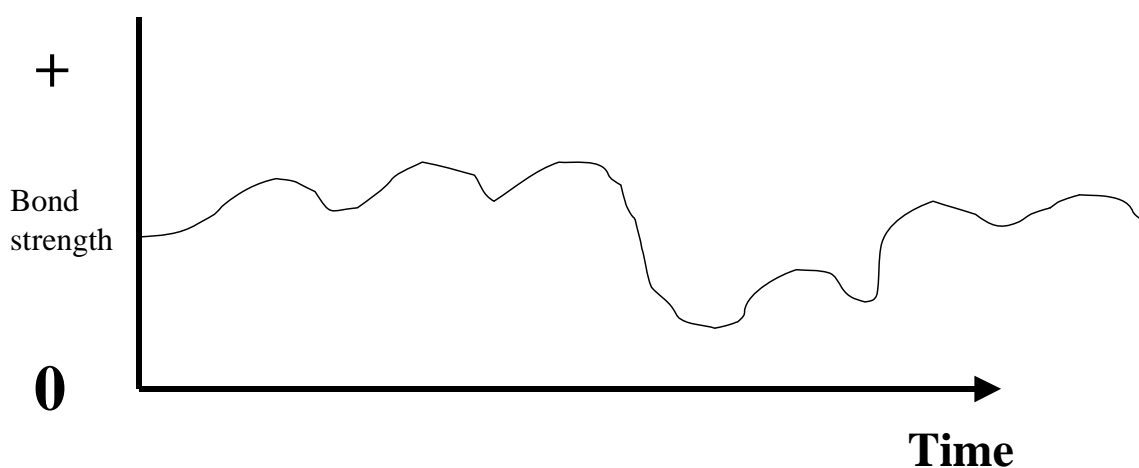


Figure 1: Bond strength affected by episodes over time

Everything that happens in an episode does not affect bond strength. There are positive critical, negative critical and routine episodes. The critical episodes usually have more influence on how bond strength develops while routine episodes might not affect bond strength.

An episode can also occur without having a relationship this because some episodes can affect bonds before there is a relationship. Either in the sense that episodes strengthen bonds so that a relationship is created, the other possibility being that episodes affect bonds that are about to be created so that they are actually weakened and there is still no relationship or will never be any relationship. A positive episode affects bonds when a relationship is developed and a negative episode affects bonds when no relationships develop.

The negative critical episodes might lead to that the relationship to the buyer or supplier is terminated or partially terminated. Positive critical episodes might lead to strengthening of bonds and continuation of the relationship. Routine episodes might lead to business as usual, i.e. that the relationship continue unchanged with the bond strength levels being at status quo. Routine episodes can on the other hand also lead to strengthened and weakened bonds.

Buyer GigaTruck is a big truck producer that has switched suppliers due to a better offer from the current supplier. The initial orders has not been large but has been made in order to test the capacity of the supplier, a big part of the products has still been delivered from the old supplier that is being phased out. When GigaTruck starts to buy all their products from the supplier due to a single source agreement then the problem starts. The supplier's production capacity does not cover the needs of the buyer. GigaTruck deliveries are running late and the production lines at the buyers are stopped. The supplier tries to improve delivery precision by working overtime and by flying out products to the supplier. The late deliveries however continue and there is frustration on both sides. The supplier is neglecting its other customers due to the focus on GigaTruck. After a while GigaTruck might switch back to its original supplier since the cost for the line stops are much higher than the money saved from switching supplier to a supplier that gave a cheaper offer. Figure 2 shows an example on how an evaluation of episodes in the relationship described above might look like. The first episodes have been perceived as positive but as soon as there has been an increase in delivered products the problems have started. The trend is increasingly negative and the relation itself is perceived as negative at the end.

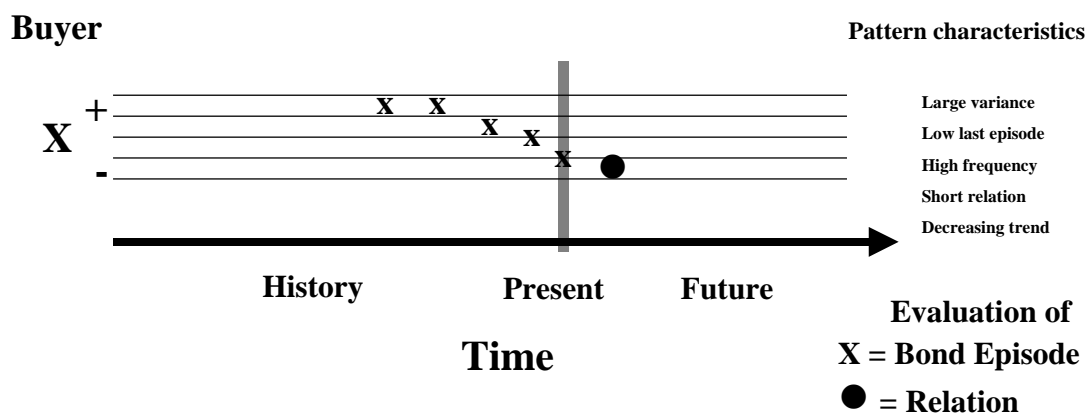


Figure 2: Different episodes in a buyer relationship, adapted from Liljander & Strandvik (1995)

Based on the findings in this study a conceptual framework for understanding the change of bonds is presented in figure 3. When viewed from a dynamic perspective the lifecycle of bonds in the relationship is viewed, that is when the bonds in a relationship develop and change over time. Examples of episodes will be presented below.

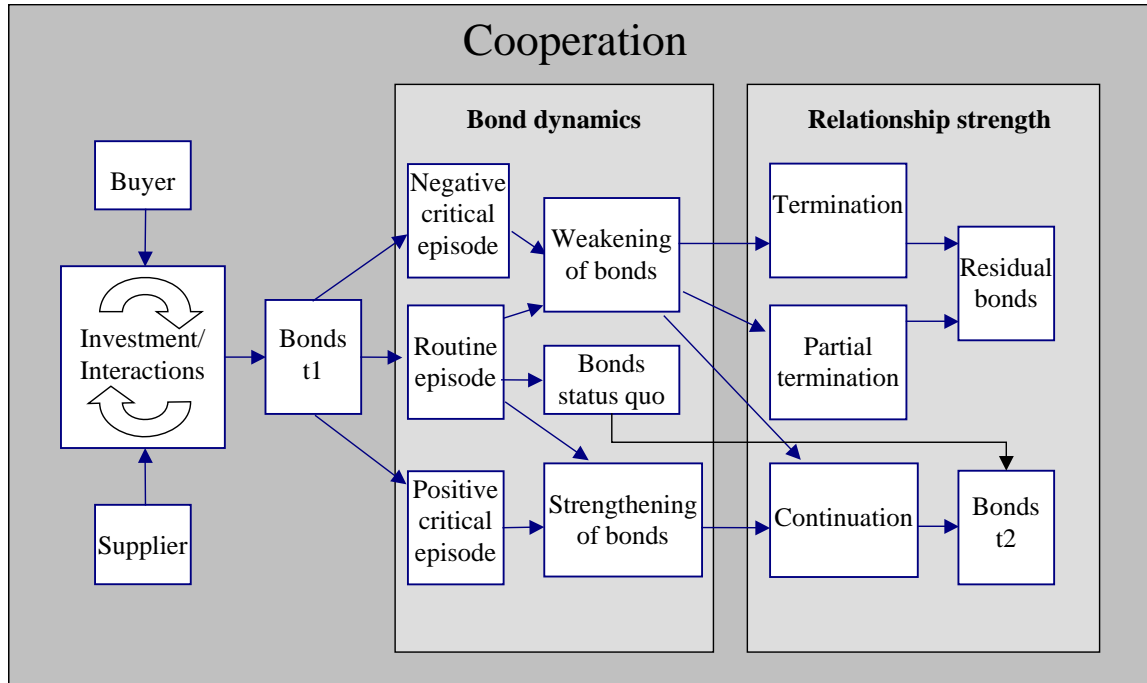


Figure 3: Outcomes of episodes

In the figure there are three bond episode paths. Negative critical episodes, routine episodes and positive critical episodes. These will be illustrated with examples from the truck producing industry.

Negative critical episode

The following is an example of a negative critical bond episode from the truck producing industry that has led to termination. There is one example where a supplier Suspension-Supply miscalculated its production capacity so much that the backlog of orders were around 100 % bigger than its production capacity. The company had got bigger deals on deliveries to some of its buyers and everything went well at startup but when the required amount of material were supposed to be delivered after the initiation period the problems started to show. Practically all of the large buyers with the exception of buyer BigTruck experienced line stops where they had to withdraw trucks from their lines due to missing product numbers. Buyer BigTruck had to fly heavy suspension components to Europe all the way from South America in order to avoid line stops. This was however not the buyer that terminated the cooperation. The buyer TeraTruck that terminated the cooperation tried to airfreight the suspension components but the volume was still too small so they had to draw their own conclusions vis-à-vis the business relationship. After negotiations with the supplier Suspension-Supply it was agreed upon to terminate the relationship. The supplied product was a stabilizer with four bending points where the stabilizer bends while all the other stabilizers had only two bending points so that specific stabilizer was also more difficult and time consuming to produce compared to the stabilizers supplied to other buyers. In this case it was

the time bond that was weakened since the supplier did not meet its target as well as required. The technical bond was weak from the supplier's point of view since the product took more time to produce and did not fit the supplier's production process very well due to its more complicated nature. The opportunity costs were higher for Suspension-Supply when producing this product. TeraTruck had however a very strong technical bond to Suspension-Supply which is shown by the fact that even though Suspension-Supply does not supply the buyer TeraTruck any more, is TeraTruck's current supplier SusTec working under license from supplier Suspension-Supply.

There may also be partial termination of a relationship. The buyer GigaTruck may terminate only a part of the relationship. Some products as for instance springs may be terminated from the buyer's list of supplies supplied by a certain supplier due for instance to a single sourcing agreement regarding springs concentrating the purchases of springs to supplier Spring. The buyer GigaTruck might still continue to buy stabilizers from the same supplier Suspension-Supply. It may however mean much for the supplier, which may for instance lose a buyer for 20% of its production. The personnel selling springs does not have any contact with the buyers of springs any more, there is no economic bonds for springs any more, the knowledge bonds regarding springs starts deteriorating since the supplier does not develop springs together with the buyer any more.

At the same time the relationship regarding stabilizers is however continuing as usual. There are development of stabilizers taking place increasing the technical and knowledge bonds regarding stabilizers etc. Residual bonds will still remain after the cooperation both in the case with total termination of the relationship as well as when there is partial termination of the relationship.

Negative critical episodes may however also lead to that the relationship may continue as before because the supplier BigSupply may have power vis-à-vis the buyer. Also the buyers in the truck producing industry regardless of their size might have suppliers that are big and have a product that they have monopoly on. Or when the supplier has a product that is patented worldwide. A case like that was a product from a big supplier when the supplier did not get the production up and running fast enough. It was a new type of engine part that was introduced on the market by the big supplier and this engine part was an essential part in the engine. The big supplier had already problems in the start up phase when two engines a day with the new part was manufactured and when the amount rose to 100 engines a day then the suppliers delays lead to that the buyers assembly line was stopped for several days.

Still the supplier Big Supply of this kind of product is the only one of its kind and other truck producers also had problems with the product when it was new on the market. Even if there would be alternative suppliers it would require a team of engineers to redesign the engine and that would take years. The technical bond that the buyer has to the supplier is very strong if something like a line stop for several days does not terminate the relationship. It might affect for instance social bonds negatively but not lead to any sanctions. For a picture of the network where negative critical episodes have taken place see figure 4.

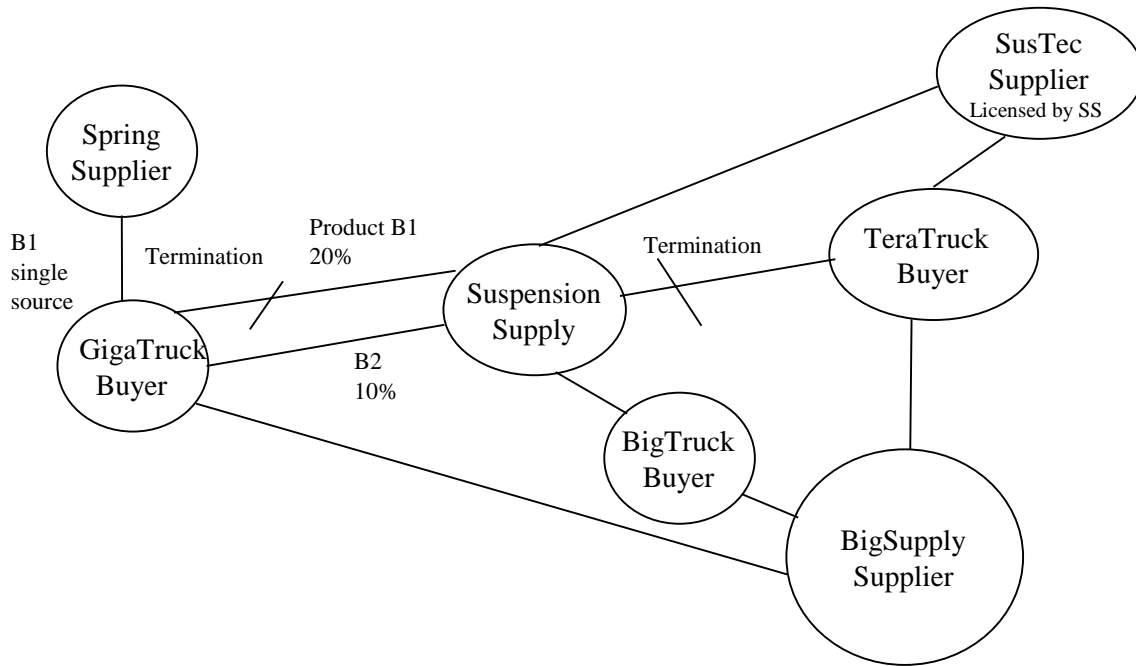


Figure 4. Network with negative critical episodes

The conclusion is that if somebody is supplying engine parts or high tech products or products used in difficult modules then the bonds are usually stronger and more stable than if simpler products like wheels, exhaust-pipes etc. are supplied.

Routine bond episode

Routine episodes can also affect the relationship and the bonds in the relationship. Routine episodes can for instance take place when there is planned investment in a system improving the flow of information between the two cooperating companies. This would lead to a strengthening of time bonds over time. Routine episodes are small issues in the cooperation that will either strengthen or weaken the bonds in the cooperation or not affect the bonds at all. It might be improvements or deterioration that happen slowly just as when water is penetrating a stone. Drop by drop it makes the whole bigger. If we take a business relationship several small mistakes may weaken some bonds be it social, technical etc. as well as several improvements may strengthen them.

Positive critical episodes

Positive critical episodes may take place when there for instance are some new products being developed. Developing a tubular stabilizer that saves 20kg per stabilizer on a truck is a technical innovation that strengthens the technical bond. These 20 less kilos per product can then for instance be used for extra payload or bigger fuel tanks for trucks making long hauls. Since this is something the end users values highly the end user is willing to pay more per truck and the truck producing company is willing to pay the supplier more per stabilizer delivered. Both the technical and the economic bonds are strengthened and the competitive and the financial strength of both buyer and supplier increase.

There may also be positive critical episodes were there are marginal strengthening of bonds perhaps because the bonds are already so strong. In that case the cooperation between the companies' continues as before.

Episodes in business relationships

I have divided the episodes into a categorization of three different episodes in business relationships. There are negative critical episodes, positive critical episodes and routine episodes. All these episodes may affect the 11 bonds. The bonds may weaken due to negative critical episodes, strengthen due to positive critical episodes or weaken, strengthen or remain at status quo due to routine episodes.

Critical episodes

Episodes are considered to consist of four different types of exchanges between two cooperating counterparts in an industrial market. The types are product or service exchange, exchange of information, financial exchange and social exchange. (Håkansson 1982; Liljander & Strandvik 1995; Tuominen 1999; Järvelin 2001) When either negative or positive critical episodes take place they either strengthen or weaken the bonds between the cooperating counterparts.

Episodes that do not involve any exchange of products or services may also exist. These episodes may have a clear starting point and an ending point and have a serious effect on the relationship. Such are for instance episodes where negotiations are interrupted due to financial problems in the buying company or social exchange problems (fights) between contact persons in the cooperating companies. These are episodes that may be important for the whole relationship between the companies. (Järvelin 2001) These episodes can however also be positive such as when social exchange is improved and therefore strengthens the social bonds between the companies or when negotiations are successful and lead to a strengthening of for instance the legal or economic bonds.

Negative critical episodes

Negative critical episodes are episodes where a negative critical incident takes place and leads to a weakening of bonds. The negative critical episode should be of such a magnitude that it is remembered and it should affect the relationship through the weakening of bonds.

Positive critical episodes

Positive critical episodes are episodes where a positive critical incident takes place and leads to a strengthening of the bonds. The positive critical episode should be of such a magnitude that it is remembered and it should affect the relationship through the strengthening of bonds.

Routine episodes

Some authors argue that everything that happens in an episode is not important for how the relationship is perceived. Some episodes may be critical and some may be routine episodes. Holmlund (1997), Järvelin (2001) and Gidhagen (2001) argue that critical episodes may have more influence on how the relationship is perceived while routine episodes do not affect the relationship.

In this study it was shown that not only critical but also routine episodes may affect the bonds and thereby the relationship. Routine episodes also influence the relationship in a positive or negative sense either strengthening or weakening the bonds. Positive routine episodes strengthen the bonds while negative routine episodes weaken them. Routine episodes can also affect the relationship and the bonds in the relationship. Routine episodes can for instance take place when there is planned investment in a system improving the flow of information between the two cooperating companies. This would lead to a strengthening of time bonds over time. Routine episodes are small issues that take place in the daily

cooperation between the counterparts that will either strengthen or weaken the bonds in the cooperation or not affect the bonds at all. It might be improvements or deterioration that happen slowly just as when water is penetrating a stone. Drop by drop it makes the hole bigger. If we take a business relationship several small mistakes may weaken some bonds be it social, technical as well as several improvements may strengthen them.

Negative routine episodes are an accumulation of negative issues that in the long run lead to a weakening of bonds and a possible weakening or termination of the relationship. Many small routine episodes like small mistakes happening may weaken some bonds be it social, technical or other bonds in the long run.

Positive routine episodes are an accumulation of positive issues that in the long run lead to a strengthening of the bonds and a strengthening of the whole relationship. Several improvements may thus strengthen the bonds between the cooperating companies in the long run.

There may also be **routine episodes** that have a **neutral connotation** and they do not affect the bonds or the relationship, the bonds remain in status quo. These routine episodes do not even transform into positive or negative routine episodes over time even if repeated. Their magnitude is so small that they do not affect the bonds. It may for instance be the manner in which routine invoices are programmed and sent on-line in a functioning system for on-line contacts.

Differences between critical episodes and routine episodes

The difference between critical and routine episodes is that for instance a positive routine episode and positive critical episode differ from each other in the manner that the positive routine episodes require accumulation of positive issues to lead to the strengthening of bonds. This means that several positive routine episodes can in the long run lead to a strengthening of the bonds and a strengthening of the whole relationship. Only one positive critical episode can on the other hand strengthen the bonds and affect the relationship.

Negative routine episodes require accumulation of negative issues to lead to the weakening of bonds. This means that several negative routine episodes in the long run can lead to the weakening of bonds and a possible weakening or termination of the relationship. Only one negative critical episode can on the other hand weaken the bonds and affect the relationship even leading to relationship termination or partial termination.

If one episode has been dissatisfactory, it does not have to break the relationship if previous episodes have been satisfactory. The relationship may have benefited from previous episodes so that the relationship is considered to be valuable. (Liljander & Strandvik 1995) The value can be perceived to be both of tangible value as for instance monetary benefits, technical benefits etc, or imaginary value e.g., social, psychological etc. It is important to be able to detect which episodes weaken the relationship and which episodes contain incidents that may break the relationship, and know which kind of episodes that strengthens the relationship between the buyer and the supplier (Liljander & Strandvik 1995).

For a division of episodes into positive routine episodes, routine episodes and negative routine episodes as well as positive critical episodes and negative critical episodes and the affect they have on bonds see Figure 5. below.

	Positive	Negative	
Routine episodes	Strengthens bonds	Routine Bonds remain at status quo	Weakens bonds
Critical episodes	Strengthens bonds		Weakens bonds

Figure 5. Routine and critical episodes

Conclusion

In this paper it was shown that not only critical but also routine episodes may affect the bonds and thereby the relationship. Many small routine episodes like small mistakes happening may weaken some bonds be it social, technical etc. in the long run as well as several improvements in the long run may strengthen the bonds between the cooperating companies.

In this paper the episodes were proven to function as a catalyst of the weakening and strengthening of bonds. A Theoretical framework for understanding the outcomes of episodes was also presented. In the proposed framework three episode paths were presented. These were negative critical episodes, routine episodes and positive critical episodes. These were illustrated with examples from the truck producing industry. As a consequence of the different episodes bonds were strengthened, weakened or remained at status quo. This affected the continuation of the relationships between the buyers and the suppliers leading to termination or partial termination of the relationship as well as continuation of the relationship as before or stronger.

By looking at examples regarding how episodes affect the strengthening and weakening of bonds leading to the termination or continuation of the relationship as was shown in figure three the following conclusion can be drawn. The bonds are usually stronger and more stable if somebody is supplying engine parts or high tech products or products used in difficult modules. There is then less chance that the bonds will be affected negatively by negative critical episodes and lead to termination than if simpler products like wheels and exhaust pipes are supplied. This has to do with the fact that the buyer in the case with “difficult” products with strong technical bonds would have to redesign the whole module were the product should be used and that would take time and be very expensive.

Strong bonds require investments and priorities in favor of certain relationships that are critical for the company’s capabilities or for the company’s position in the network. It can be argued that strong bonds can only be maintained with a limited number of counterparts in the cooperation. (Håkansson & Snehota 1995) It may indeed be difficult to keep up strong bonds with all counterparts in the cooperation. It usually demands so much of the contact person’s time and the company’s resources to keep up the intensive cooperation with the “important” buyers or suppliers that some counterparts in the cooperation suffer or are ignored. The company must strategically decide what or which kind of companies it wants to cooperate with and act according to that decision. The decision can be made on monetary profits to be

made, is the cooperation profitable for the company, is it good for the reputation to cooperate with the company, good brand, etc., is it good for technical development, logistics development, etceteras.

When the strategic decision has been made, it is time to focus on strengthening the weaker bonds to the companies preferred and keeping the strong bonds strong through investments and adaptations towards the counterpart in the cooperation. It is also necessary to weaken the bonds to the companies that are not included in the company's strategic focus and where opportunity costs are high in order to terminate the relationship with them to be able to focus on the strategically important counterparts in the cooperation.

Further areas of research could for instance be bond management. By using bond management it is possible to strategically strengthen or weaken the bonds between the cooperating companies in order to strengthen the cooperation and tie the buyer or supplier to the company or to terminate the relationship.

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