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**THE BURDEN OF RELATIONSHIPS
or WHO'S NEXT**

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Abstract

Intercompany relationships have recently attracted a great deal of attention in the business literature. Benefits to companies from developing "close relationships" with customers, suppliers and other counterparts, possible allies, are usually emphasized. These benefits are certainly important and deserve to be explored further.

At the same time one cannot avoid noticing that there is a lack of studies of the problems or difficulties with close relationships. Of course, there are a large number of studies analysing market solutions, i.e. the case with no relationships, but that is another question. We mean that business relationships entail costs and problems that warrant some attention. While business relationships can be a valuable resource for a company they bring in, at the same time, severe limitations to what the company can do. Close relationships can easily turn into a burden for one or both of the involved partners (as we so well know from own personal experience). Relationships, thus, have both a huge benefit and a huge burden potential. In order to understand relationships better we have to look at both sides.

The paper explores and illustrates the "burden" of relationships focusing both on basic factors and episodes that make the burdening consequences large and acute. It is argued that the burden of relationships is the other side of the benefit potential. It means that the risk for a relationship to become a burden can never be escaped, it is the automatic consequence of the development of a fruitful relationship. And the potential burden is no argument against the need to develop relationships but it is important to realize in order to have realistic expectations.

Business and Relationships

Interest shown in business literature recently of intercompany relationships testifies their perceived importance. There seem to be at least two quite different reasons for the growing attention. One is the wave of various formal cooperative ventures between companies over the last decade. These formalized ventures have led to various forms of inter-company organizational arrangements that have been studied quite extensively. Another is the increasing number of studies showing that most companies, especially in the so called business-to-business markets, are highly dependent on the exchange with a limited number of customers and suppliers with whom they often develop extensive relationships.

The studies of what has been labelled as "business relationships" has proven their existence and importance and has broaden our understanding of their development processes. Still the very notion of relationship is not univocal which we will come back to later. On the whole the research studies point to the potential benefits from developing "good" and "close" business relationships. A "good" relationship is usually characterized with more or less marked cooperative intent of the two companies (e.g. Ring & Van de Ven 1994). It has been shown that business relationships can be a source of valuable technical know-how, they can be an important factor in developing the technical capabilities of a company, they can be important to create the market position of the company or they can be leveraged to approach new customers.

The concern with the benefit potential of business relationships appears well motivated. On basis of our own research we are firmly convinced that companies in many cases can exploit the potential benefits from business relationships better than they do. However, at the same time, we cannot avoid noticing that the "dark" side of relationships, for example the large development costs and the way they limit what a firm can do or achieve, has to be much more penetrated. There are very few examples of such analysis (an exception is Blois 1995). We will in this paper make a first attempt to have a closer look at these aspects. The focus

will be on the burden of relationships.

The Burden of Relationships

At first glance, relationships appear to turn into a burden as a consequence of changes exogenous to the relationship itself; something that happens in the context and turns the relationship to a burden (the appearance of a "third" party - a new alternative). Then the attention of the involved parties is turned to the negative consequences and the relationship becomes a burden. That seems invariably true in business as in relationships in general. However, the situation is a little more complex as the following discussion will show.

A first important observation is that relationships valuable in some dimensions might be negative in some other dimension. A close relationship with a customer that is very beneficial for the technical development in the selling company might be negative in terms of excessive costs. An example of the other way round can be a conflictual relationship with a supplier that is very rewarding from an economic point of view. Developing close relationships does not guarantee a positive balance of the outcomes, more that both positive and negative consequences are enlarged. The conclusion must be that most relationships have some negative effects, i.e. always contain a certain burden.

A second observation is that there are at least three types of circumstances when the burden of a relationship feels more acute. A first situation is when one of the parties wishes, for whatever reason, to exit the relationship and such a wish is not shared by the counterpart. The abandoned party will in this case feel cheated because it will loose the earlier made investments without getting anything in return. The abandoned party might retain and exercise some sanction power which will further amplify the negative consequences. It might be the start of a war!

A second situation is when both parties would like to exit a relationship but it is impossible due to a high interdependency (joint investments etc). The two parties have to continue to live (deal) with each other despite all the negative "feelings".

A third situation is when two parties would like to develop a relationship but external factors or parties make it impossible.

The burden is then related to the loss of the potential positive outcomes.

Consequently, a relationship can be a burden in quite different situations; when it is broken, when it has to continue or when it can not be developed.

From the discussion above it is clear that the burden of relationships both are related to the content of them and to the counterpart. A conclusion must be that a relationship which is perceived as good at a certain point in time can become a burden both through the development within the relationship and through the development of other relationships. Looking closer into the characteristics of relationships reveals that there are at least five different quandaries that can cause a relationship to become a burden. These five will be discussed one by one.

Unruliness - the loss of control

Developing a relationship leads to giving up some degree of freedom. It entails giving up the control over some of the own resources, activities and intentions, sharing it with the counterpart. This aspect is present in all relationships even though it is not always recognized. It is present in joint-ventures and other forms of cooperative agreements and in most close supplier-customer relationships. Take as an example the case of an Italian company Svitola that enters into a licensing agreement with a Japanese company (Pelz & Snehota 1995). As a consequence of the agreement not only the market is shared but various choices in the production become circumscribed to those that fit with the counterpart, the choice of other suppliers become "imposed" as it is decided in common concert. While in the Italian company the solutions suggested by the counterpart are mostly judged as much more beneficial than "own" alternatives clearly it means to relay on the other when it comes to finding solutions and organizing own activities. It also leads to the necessity to forego some other solutions considered at the moment. Even the other part, the Japanese company, apparently dominating the relationship, gives up some degree of freedom when it comes to possibilities to design the product, develop the distribution system or cooperate with other companies. Even when

a relationship is "contractual" and apparently dominated by one of the parties it always means that some degree of freedom is lost because of various "lock-in" effects.

The problem of giving up control is as a rule not felt or perceived as a burden as long as both the interpretations and intentions of the two parties overlap. However, it can become a large burden when this commonality is lost. It may well be illustrated by a case of a Swedish mechanical engineering company Swelag (Åsberg & Håkansson 1995) that after 80 years of relying on supplies of a critical material on one supplier Materials, in which it even has equity interests, decides to broaden the supplier base. The relationship to Materials is felt as a too large limitation and an obstacle to develop more efficient supply systems. However, this turns out to be almost impossible due to all these decisions taken over the years and which have related the two companies to each other.

The loss of control during the development, which is a prerequisite for the development to take place, is hitting back when one of the actors try to accomplish a larger change. Business relationships often involve a number of individuals who perceive and act at least partly individually. Various adaptations creating lock-in effects can of these reasons be hard to map and to remember. They become evident when change in the arrangement is taking place.

The unruliness is a very elementary aspect of every relationship; no relationship can ever be fully controlled unilaterally because than by definition it is not a relationship. A basic condition which makes this fact even more influential is that relationships have a behavioral content besides the psychological intentions. They require co-action and interaction. Developing a relationship requires interaction, reacting to acts of the counterpart rather than simply acting from own intentions. Reacting to the moves of the counterpart means to comply with intentions not necessarily shared nor always fully understood. There are expectations that must be met and thus combined with own intentions. Therefore, every relationship entails giving up part of the control over the own acting and loosing some freedom to act. Adaptations in various dimensions become a necessary ingredient and cause dependence on the counterpart. Thus, interaction necessary to

develop the relationship creates interdependence of behaviors of the two parties. The closer the relationship the stronger the interdependence become. It may at that moment be seen as a golden cage as the loss of control is self-controlled but a little later it might easily become felt as an ugly prison.

Undeterminedness - the uncertain bet

Relationships always have a time dimension and thus a future that always is uncertain and a history whose interpretations and memories are subjective. Relationships are thus undetermined; their meaning to those involved is changing over time and their development depends on how the parties interpret and re-interpret different acts. The two involved companies have different pictures of both the own and the counterpart's identity. This may regard the technical capabilities as well as any other aspect of the operations. Whenever the identity of any of the two actors is questioned there might be reasons to make re-interpretations. Not only of what is happening just now but also what has happened before. As this applies to both companies, no matter how positive intentions have been underlying a certain episode, they can be re-interpreted. It is the known mechanism of "whatever you've done or said can be used against you" . And we would like to add "in the most strange way".

The undeterminedness causes two types of problem. Firstly, a relationship has never a given future outcome. Previous history affects but does not determine the future outcome. Relationships are enacted, they become what the parties make them to and thus on their commitment that reflects more or less ambiguous and conscious expectations of the parties. When these are very different, which can be the case when a new relationship emerge or when one of the parties goes through a major change (crises), the results might be burdensome. Secondly, history is important. Not only because of the lock-ins from the past but also as the history in interpreted and given meaning to fit the circumstances as they emerge. One example can be an English supplier to the automotive industry, Omega, that had a quite different view of its importance in the technological development compared to how its major customers view it. The effect being that the supplier not at all had the position it believed in relation to those

customers (Ford & Thomas 1995).

The undeterminedness of relationships makes every commitment to develop a relationship clearly a bet on ambiguity. The result might clearly be a burden.

Energy - resource demanding

In another way the relationship is not at all undetermined. To develop a relationship is always resource demanding. It strains the resources of the two parties in several ways. It takes time and lot of efforts to develop a close relationship between two companies. Resources are needed in order to learn about each other, to carry out necessary adaptations, and to coordinate own activities with those of the counterpart. Furthermore, the costs usually precede the returns which remain to at least some extent uncertain. Relationship development is thus a matter of uncertain investments which are more or less affordable for the involved parties.

The problems involved can be illustrated by a case of a French company, Vegan (Spencer & Mazet 1995) approaching new customers in the Swedish market. Months of studies together with the customer are needed to initiate the business. Equipment worth several hundred thousands francs needs to be installed at the customer site before the supplies can be started. The pay-back period for a new customer is counted in years. Only a limited number of customer relationships can be handled at the same time. Besides the obvious monetary costs there are the hidden costs for management attention and effort that can be significant.

This aspect of relationships is only too well known as many attempts to assess the full-costs of handling a certain customer or supplier relationship show. Costs of developing and maintaining a relationship are always a burden. This burden becomes heavier to carry the bleaker the prospects of benefits become.

Adaptations and reacting to the acts of the counterpart requires resource mobilization. The closer the relationship the larger such investments and costs of possible changes. Close relationships can sometimes become "black-holes" as mutual expectations increase and thus demand on each other's resources increases. In these cases a relationship can be an economic

burden without anyone noticing it. While routines develop in most relationships to make the costs of coordination sustainable they cause other costs when change in the relationship becomes necessary.

Exclusiveness - the preclusion of others

Developing a relationship entails prioritizing. Not only does it entail to give priority (and of getting priority) it does preclude other preferences. It becomes problematic when other prospects are perceived as attractive and cannot be conciliated with an ongoing relationship.

Partly this problem depends on the resource demands from every relationship which gives as a consequence that there is a limited number any actor can have. But it has even more to do with mutual expectations and the fact that relationships are undetermined. Every actor has to believe that the counterpart will prioritize just its demands. Other close relationships will be seen as competing in one way or another if they are not directly connected to the focal one.

We hinted the problems caused by exclusiveness when commenting on the Vegan case and the fact that only a limited number of relationships can be developed at a time. The case of a Swedish equipment producer Inteq (Axelsson and Wynstra 1995) can be a good example. Inteq had for a long time been the main supplier to a large Swedish and a large American customer. When another large American company - competitor to the American customer - takes over the Swedish customer it decides that the Swedish company must use its own supplier. The relationship with Inteq is rather abruptly brought to an end. Another example of this effect could be the case of a Swedish wood supplier, Glulam (Waluszewski 1995) who develops a close relationship with a Dutch furniture manufacturer. By doing so it is jeopardizing its relationship with the previous wholesale distributor who it still needs in order to sell other qualities.

Regardless its causes the effects on the parties is the same. The exclusiveness of relationships leads easily to conflicts whenever a new close relationship is developed.

Stickiness - you never know who and when there will be requests

Developing a relationship with a counterpart automatically gets you closer to the friends of the counterpart. You get connected in one way or another to a whole set of other actors. The effect may come in terms of unexpected visits or demands from these third parties and at very different moments in time. Becoming part of a "new" network can be straining as all those new acquaintants belonging to it might not be the ones you would like to be connected to. The friends of your friend might not be those who you would like to have as friends. They might be unfriendly, uneffiecent, just boring or may come with unexpected demands. In business relationships a customer or a supplier might in a short perspective be interesting due to its offer or demand but can in a longer time perspective become a burden due to its other relationships. As a customer it can demand devolopment of products which in the long run are "dead ends". As a supplier it might offer competitive prices but not at all keep up with the technical development due to that its other customers are very unsophisticated.

The problems the "stickiness" can cause in business relationships have very much been felt by companies in the construction industry in Sweden during the last recession. Quite a number of them got into large financial troubles not because of inefficiency in their own production but due to the problems their customers had in their customer relationships.

Furthermore, there is connectedness over time. In a sense relationships never die. Being connected to a certain partner in a certain period becomes part of one's identity which affects possibilities to develop and maintain relationships at other occasions to other partners. The effects from connected relationships may arise unexpectedly at an occasion on a rather remote time.

The Relationship Predicament

Focusing on possible problems resulting from developing close relationships to business partners we are faced with a rather gloomy picture. The loss of control, uncertain outcomes, high costs, preclusion from other opportunities, and unexpected backlashes seem to be more or less automatic consequences of close relationships. Any of these problems is of such a magnitude

that it can bring a company (or an individual) to the verge of desolation, despair and total ruin. Especially when, as often is the case, the company is highly dependent on a very limited number of relationships. The burden of relationships can be very heavy indeed.

Unlike the picture painted by some others who promise heavens to those who engage in close relationships we are faced with a relationship predicament. There may be huge rewards from relationships but their burden can be substantive and they cannot be escaped. Business relationships are to companies assets but also liabilities.

Scrutinizing the negative consequences of close relationships naturally raise the question whether these can be avoided. Can we find a way to only get the positive consequences of a relationship. Our understanding, based on the above discussion of common relationship draw-backs, is that they cannot be avoided, but maybe mitigated. They are invariably present as a relationship develops between two parties. Only by refraining from engaging in relationships the burden of relationships can be avoided. Once a relationship is developed there is always a risk that it might become a burden. It has to do with the very meaning of a relationship.

The notion of a business relationship is not univocal. Those who tend to emphasize that "good" relationships is the solution to various problems tend to give relationship mainly a psychological, attitudinal meaning. The notion is then used to signify social interaction, i.e. the "cooperative intent". Relationships are then in themselves attached positive connotations. However, if we let the notion of relationships cover the mutual interdependencies of behaviors, the "total" interaction, the notion will become much more value-neutral. It will mean mutual orientation and conditioning of behaviors which in a business context will be interaction with technical, economical and administrative content besides the social one.

This varied usage of the term becomes clear from casual observations of attitudes and behavior of companies. There are companies that do not perceive and conceive of dealings with others as relationships but as the normal business conduct.

Unaware of interdependencies they appear to handle them well, they exploit the advantages of long term dealings with counterparts (relationships) and contain the negative consequences. Other companies aware of relationships perceive them as adversarial and "negative" and necessary evil but seem to cope with the situation successfully. Others still aware of the importance of relationships tend their efforts to develop "good" relationships to their partners, concentrating on the social level, and nevertheless struggle with difficulties. The awareness of the need to be careful in handling business relationships is hardly enough to solve the problems of a business. The interest must be on creating a positive balance of outcomes.

Our own research suggests that companies have a choice in the way they participate in different relationships. However, most do not have a choice in terms of staying outside relationships. In the sense we use the notion of relationships (party specific interdependencies) these are to many companies a given, a very condition to their existence and development. They often are a distinctive feature of the context in which the companies operate. Take a typical example of a company in business markets: a supplier to the automotive industry. This company is always dependent on some very few customer relationships. The only choice regards how to take part in these relationships. It is the insight that depending on how the relationship evolves, which at least partly can be influenced by the single party, the potential burden will take on different nature and occurrence. The company does not have to meet them unprepared.

Last but not least, whether interdependencies from developing a relationship will on balance turn out to be burdening or rewarding for the parties depends both on the development of the relationship in itself and on how the relationship is embedded into the larger web of relationships. A relationship can become a burden because of the costs incurred within it but also because of effects on other existing or potential relationships. The rewards can in the same way come directly from the relationship or from its connections to other relationships. Clearly, there is a multiple of effects and the final results will very much depend on getting the positive outcomes to outweigh the negative

ones. Sometimes this is impossible and then the question becomes "Who's next"?

Who's next

As the burden of relationships cannot be escaped and is likely to be heavy a natural question is: Should a company (or a man) have relationships at all? This question is, sadly enough, meaningless. Because without relationships there is no life in the long run. No business is an island in the same way as no man is an island. Life without interdependencies is not meaningful. Developing relationships is clearly to create interdependencies but it is also the most important mean to handle interdependencies. It is the mean to handle the texture of interdependencies that shape the very existence and development of companies, as well as that of the individuals.

The very same aspects of relationships we listed as sources of problems and the cause of them becoming a burden make relationships to an effective instrument for handling the problem of interdependence. The very same aspects make them rewarding. The loss of control, giving up the freedom consequent to establishing a relationship is just the reverse of sharing the burden of interpreting the context and choosing the appropriate course of action. It gives an actor the possibility to transcend its own "prisoning" boundaries.

The inherent undeterminedness of relationships makes them to ways to escape the gauge of the history. It provides the two parties with the possibilities to create an own world and an own future. Together they can build history, they can innovate and create unique combinations and thereby achieve unique performance.

The energy and costs required in order to develop a relationship become against the background of the undeterminedness and the connectedness an investment in opening up possibilities. The costs are not only sacrifices they are the necessary investments for a rewarding future. The larger these investments the larger the potential for future rewards.

The mechanism of priority causing preclusion has as the reverse effect inclusion. A life without friends is not just empty it will also be extremely costly for a company. If it has to distrust all its exchange partners and always be prepared to get

a knife in the back than too much energy will go to safeguarding.

The stickiness of the relationships is what provides for future opportunities, favorable circumstances well ahead and far away from the ones enacted within the existing relationships.

Finally, considering the value of business relationships the rewards and burden they entail: it is the rewards that spur the development of a relationship. Only when there is no expectations of any further major rewards they will tend to become felt as a burden. Then the "who's next" will become compelling.

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