Customer Satisfaction in Industrial Markets: Opening Up the Concept

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Abstract

The purpose of this paper is to "open up" the concept of customer satisfaction in industrial markets through arguing for a broader, contextually sensitive perspective to the phenomenon in its real-life settings. The conceptual argumentation put forward in this paper is based on an action-oriented research project on customer satisfaction in industrial markets conducted in two globally operating case organizations, the first one in paper machine manufacturing and the second one in the production of high quality steel for industry. On the basis of the "three steps" highlighted in this paper - the inner context of a business relationship, the connected network of the customer-supplier relationship, and the outer context of the connected network – it is argued that one can gain a more complete understanding of the context within which customer satisfaction actually emerges in industrial markets. The main function of the three steps proposed in this paper is to structure the inherent complexity and multiple facets of different contexts affecting customer satisfaction as a managerial phenomenon.

Introduction

Customer satisfaction has traditionally been one of the core areas of interest in marketing in business and the academic world. In consumer marketing and consumer research, customer satisfaction has most often been defined as "the degree to which a consumer’s prepurchase expectations are fulfilled or surpassed by a product" (e.g. Peter and Olson 1996, Howard and Sheth 1969). Consequently, a host of approaches or models have been developed to assess customer satisfaction (e.g. Oliver and De Sarbo 1988, Oliver 1980). Most often their goal has been to establish objective measures for the outcomes of the confirmation/disconfirmation process (see e.g. Kuokkanen 1996, Flint et al. 1997). In this stream of research, disconfirmation refers to the difference between prepurchase expectations and postpurchase perceptions (Peter and Olson 1996, 509). Approaches to satisfaction developed in consumer research have had a strong effect, for example, on quality models developed in services marketing research and in various TQM approaches as well as on the discussion on customer satisfaction in industrial marketing (see e.g. the perceived service quality model by Grönroos 1982, Main 1990, Wilson and Jantrania 1996).

In industrial marketing, customer satisfaction has usually been related to the key elements and outcomes of the interorganizational exchange process (Möller and Wilson...

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However, this exchange process has traditionally been approached as a transactional process of predominantly short-term economic exchange between two independent parties in the industrial market. Consequently, most measurement models for customer satisfaction in industrial business settings have confirmed to the same, simplifying and mechanistic pattern.

The recent emergence of relationalism as a core philosophy of marketing has gradually shifted the emphasis from discrete transactions and short-term economic exchange towards long-term interorganizational relationships as the subjects of both academic research and managerial practice (Grönroos 1997, Gummesson 1994). For example, Sheth and Parvatiyar (1996) argue that the traditional concept of exchange should be abandoned and replaced with the concept of value creation within customer relationships as a core issue in the “relationship marketing” orientation.

However, the relationship marketing orientation in an industrial setting also calls for a more complete understanding of satisfaction. The satisfaction or dissatisfaction of business parties can be seen as an adhesive factor or a critical turning point in the development of buyer-seller relationships. Within long-term business relationships, a repeated purchase situation is usually, at the same time, a pre-purchase situation. For instance, the customer will not repeat his purchase, if his expectations have not been fulfilled (e.g. Gunter and Platzek 1994). Furthermore, high customer satisfaction also creates bonding and commitment between interacting parties, which inevitably increases customer retention (e.g. Wilson and Mummalaneni 1986). Therefore, in order to properly understand the long-term development of business relationships, we also need to capture the essence of customer satisfaction in interorganizational settings more in-depth.

In essence, we regard most of the existing approaches to the assessment and/or measurement of customer satisfaction in industrial markets as too simplistic and mechanistic to efficiently tackle the complexity of the real-life phenomenon encountered by practitioners in their business situations and contexts. The dominating way in which the concept of customer satisfaction has been approached in both academic literature and consulting practice has this far been too limited concentrating only on the relatively narrow approximation of what we call “the inner context” of a customer-supplier relationship. Furthermore, there has been a lack of both conceptual and practical understanding of the processes and the forces that form and change perceptions of customer satisfaction (cf. Flint et al. 1997). In addition to the inner context, we perceive two other, partly overlapping contexts that can considerably broaden our perspective to how customer satisfaction actually comes into being in industrial markets.

The Purpose of the Paper

The purpose of this paper is to “open up” the concept of customer satisfaction in industrial markets through arguing for a broader, contextually sensitive perspective to the phenomenon in its real-life settings. Our argumentation can easily be linked e.g. to the recent discussion on value creation and appropriation in contemporary industrial systems (e.g. Normann and Ramirez 1994, Håkansson and Sharma 1996) or quality in business relationships (e.g. Gummesson 1998, Holmlund 1997). We explain our viewpoint through what we call the “three steps” towards a more complete contextual
The conceptual argumentation put forward in this paper is based on an action-oriented research project on customer satisfaction in industrial markets conducted in two globally operating case organizations, the first one in paper machine manufacturing and the second one in the production of high quality steel for industry (for action-oriented research, see e.g. Pihlanto 1994). The identity of the case companies cannot be revealed for the sake of confidentiality.

As stated above, the starting point for this study was the obvious “mismatch” between the dominating way of approaching customer satisfaction on the one hand and our current understanding of buyer-seller relationships and industrial networks on the other. Furthermore, the case organizations and their practices for tackling customer satisfaction have formed the empirical arena on which we have been able to construct the “three step” typology for conceptualizing industrial customer satisfaction in its contexts. Even with only a few cases we can try to evaluate the validity of our approach, although in a very preliminary fashion. This can be achieved by examining whether the proposed approach is useful in interpreting, i.e. “opening up”, customer satisfaction in industrial markets. In this sense, we have been able to utilize the cases for tentative theory construction crystallized in the ideas presented in this paper.

Our paper is structured as follows. Firstly, we briefly examine current procedures for tackling customer satisfaction proposed in marketing literature. In presenting these approaches, we contrast them with our findings on the assessment of customer satisfaction in one of our case companies. Secondly, we propose our “three step” conceptualization of industrial customer satisfaction in its contexts together with revealing “excerpts“ from our empirical material. Finally, we present some implications for research and management in order to make our approach more applicable in the work of both researchers and practitioners.

Current Procedures for Tackling Customer Satisfaction

Typically, most established methods for tackling customer satisfaction start by determining the dimensions on which the products and services can vary. Customers are then simply asked to rate their “level” of satisfaction with one offering or more cross-sectionally on those dimensions. Finally, customers are usually asked to give overall “satisfaction ratings” for the competing companies (e.g. Zeithaml et al. 1990, Myers 1991, Fornell 1992, Perkins 1993). However, these types of procedures have serious shortcomings, primarily concerning the complexity and the dynamics of how “customer satisfaction” actually emerges in any industrial, interorganizational setting. In other words, the measured satisfaction or dissatisfaction does not reveal much about the reasons for it. In the traditional procedures, the focus is neither on how the representatives of a customer organization themselves interpret, or continuously construct and reconstruct their individual perceptions of satisfaction in interaction with other people in their varying contexts.

The narrowest approaches to industrial customer satisfaction limit their attention to the opinions of the persons they suppose to be the key decision-makers, i.e. the members of the buying center in the customer organization. Through the use of structured or semi-
structured questionnaires, they aim at quantifying and thus measuring the existing level of satisfaction of the customer organization as a whole. The numerical data collected are analyzed by using various statistical methods ranging from simple cross-tabulations to more complex multivariate analyses. In doing this, a lot of managerially relevant contextual information is either overlooked or disguised in the form of supposedly “objective” numerical results that are claimed to represent the “average” level of satisfaction in the customer organization. Some more advanced methods used e.g. by international management consulting firms combine personal interviews and statistical techniques and achieve a somewhat broader view to customer satisfaction in industrial markets.

Many parallels to the above discussion can be found in our second case company focused on the supply of high quality steel products for industrial customers. It started assessing customer satisfaction in the late 1980s through a very simple procedure. The company hired a consultant to perform an annual telephone survey, the objective of which was to achieve an overall satisfaction rating ranging from 1 to 5 in the entire customer base of some 300 firms. A couple of years later, additional questions concerning customer satisfaction with products and the buying and supply process were included in the survey. However, this type of procedure had some serious weaknesses recognized by the management. Firstly, it was insensitive to the fact that more than 80 per cent of the company’s annual turnover came from 30 key customers, whose satisfaction was not weighted in any way. Secondly, mainly because the early studies were conducted by an external consultant, the eventual results had little or no practical implications for marketing in the case company.

Thus, the approximation procedure was developed further to consist of a short, detailed mail survey to key individuals in customer organizations identified by sales managers. However, the procedure was still not able to tackle the complexity of the buying center in the customer organization. The sample of the survey was also heavily biased because of the sales managers’ inclination to choose only “satisfied” partners. On the other hand, the renewed procedure allowed the company to develop a “systematic” approach to the measurement of customer satisfaction over time, which was needed especially in the implementation of quality systems. From the perspective of marketing management, the key problem of the procedure was the low information content of the numerical results of the survey, which were often seen as mere “averages of averages”. Marketing managers also felt that the voice of the customer was hidden behind the numbers and demanded in-depth customer interviews to complement the procedure. Recently, the company has developed a new procedure which combines a more comprehensive survey with team interviews with the members of the buying center in key customer organizations.

However, as far as the authors of this paper know, practically all existing approaches to the approximation of industrial customer satisfaction still lack a realistic conceptualization of what an interorganizational relationship consists of and how organizational perceptions regarding e.g. exchange quality or relationship-specific satisfaction are socially constructed among actor-individuals within and between organizations (cf. Berger and Luckmann 1966). Without acknowledging the inherent complexity of the inner context of a business relationship in which meanings and opinions are constructed in an ongoing social process, there is little hope for capturing any of the essence of such constructs as customer satisfaction, regardless of how
rigorous statistical methods and mathematical modeling would be used. The existing exchange relationship together with its past and expected future constitute the first elementary context for perceived customer satisfaction (cf. Halinen 1996, 316). Moreover, the inherent embeddedness of customer-supplier relationships in the wider contexts of connected and outer networks has to be acknowledged in order to achieve a proper, longitudinal understanding of the emergence of customer satisfaction in industrial markets.

**Customer Satisfaction in Industrial Markets: Three Steps Towards a Contextual Understanding**

The First Step: The Inner Context of a Customer-Supplier Relationship

On the basis of what is currently known about interorganizational relationships primarily from the work of the IMP (Industrial marketing and purchasing) research group on organizational interaction and networks (see e.g. Håkansson 1982, Ford 1997), we suggest that more attention should be paid to the inner context of a customer-supplier relationship within which perceptions of customer satisfaction, among other things, are constructed. By the inner context of an interorganizational relationship (cf. Pettigrew 1985), we refer to the general structural and processual characteristics which are considered typical of interorganizational relationships (see Håkansson and Snehota 1995). These characteristics form the inner context in which individuals interact and which forms the basis for their perceptions of supplier performance.

The structural characteristics of an interorganizational relationship have been often found to be characterized by continuity, complexity, symmetry and informality. Furthermore, the following process characteristics have been found to be typical of business relationships: adaptations, cooperation and conflict, social interaction, and routinization. (Håkansson and Snehota 1995, 7-12)

In numerous empirical studies, interorganizational relationships have been found to be relatively stable, i.e. continuous. It has been reported in several studies that the average age of the relationships in an industrial setting may be anything between ten to twenty years. (Håkansson 1982) If a relationship has a long history, individuals working within that relationship are inevitably bound by what has previously happened between the interacting companies. For instance, if a paper machine manufacturer has supplied an unsuccessful project in the past, this may have severe long-term effects on the perceptions of the members of the customer organization. Furthermore, this kind of organizational memory preserving the historic dissatisfaction inevitably restricts the possibilities of the manufacturer to sell new projects to the same buyer. Without this kind of historical knowledge, it may be impossible to understand the attitudes the members of a customer organization have towards a certain supplier and the resulting "level" of customer satisfaction.

The history of our first case company provides many revealing examples of the above argumentation. For instance, a competing paper machine manufacturer had failed badly in two major rebuilds at a customer paper mill in Finland during the 1950s. These two total "fiascos" supplied by the market leader caused deep bitterness among mill managers at the customer corporation. These events also had a strong influence on the competing company's other customer relationships in Finland because of close interaction between paper engineers in Finland. The competitor's arrogant attitude can

also be considered as an important reason why our case company - a relatively unexperienced domestic manufacturer - got the order for a new machine from the paper mill mentioned above. The competitor’s failure in the two projects led to a situation in which the customer corporation, including more than a dozen paper mills in several countries, did not seriously consider buying from the same supplier before the beginning of the 1990s.

When referring to the “level of satisfaction”, we also do not accept the view that there would be an independently existing, uniform state of satisfaction in any organizational setting. Moreover, the term should be approached as an informed approximation of an aggregate of contextually bound and often contrasting individual perceptions of satisfaction within the customer organization. For a methodological discussion on how we approach the estimation of context-bound customer satisfaction, the reader is referred to the last section of this paper.

The complexity of customer-supplier relationships is apparent in several ways. An important element of complexity is the number, identity and the interaction pattern of individuals involved in the relationships at different organizational levels. As far as the identity of the interactants is concerned, each individual naturally has his or her own perceptions, history, goals, intentions and organizational position. Thus, both the expectations of these interacting individuals and the results of interaction can generally be described as multiple. Relationships are used to achieve several different, partly conflicting goals in organizations. (cf. Håkansson and Snehota 1995, 7-8)

Consequently, it is obvious that there cannot be a single, uniform perception of customer satisfaction in an industrial setting (see also Moore and Schlegelmilch 1994). Moreover, it should be noted that the way in which the individual informants articulate how they see the level of customer satisfaction may be goal-oriented (see also Gunter and Platzek 1994). For example, in the anticipation of future business exchanges e.g. for a lower price, an informant may claim that the preceding successful exchanges would in fact have been dissatisfactory. On the other hand, Ford (1980) and Ford et al. (1986) have identified a so called “side-changing effect” related to the perceptions of satisfaction regarding specific, individually preferred suppliers. For instance, a buyer may feel a sense of commitment to serve the interests of a supplier, on the basis of personal ties, even though this may be against the instructions given by his or her own company.

Symmetry has been argued to be a central feature of interorganizational relationships. In other words, typical business relationships in industrial markets often appear rather symmetric in terms of resources and capabilities of the interacting parties. (Gadde and Håkansson 1993) In the light of this feature, an industrial customer is responsible at least for its own satisfaction e.g. in participating in and assessing the joint development of a solution to be bought. On the other hand, at least a certain level of “seller satisfaction” also acts as a necessary prerequisite for the continuity of the relationship and, thus, future buyer satisfaction.

Informality is the fourth structural feature of business relationships. This aspect of business relationship highlights the importance of social bonding between interacting individuals as the primary explanatory factor for the development of interorganizational relationships (e.g. Möller 1994). For example, formal legal bonding e.g. in the form of contracts is often ineffective in taking care of the uncertainties, conflicts and crises that

a business relationship is bound to go through over time (Håkansson and Snehota 1995, 8). For the understanding of industrial customer satisfaction, this would imply that one has to construct a thorough picture of the complex net of social bonds between the members of the two interacting organizations as these bonds inevitably affect, in line with what has been stated above, individual perceptions of supplier performance.

As far as process characteristics of interorganizational relationships are concerned, cooperation and conflict related to various adaptation processes have been identified as a central issue (Håkansson and Snehota 1995, 9, cf. the interaction process component in the IMP group interaction model, Håkansson 1982). When companies interact and conduct exchange on a long-term basis, they tend to adapt their activities and resources towards a more compatible form in cooperation with the counterpart. In other words, counterparts share and further develop crucial resources and link chains of various activities to be able to conduct exchanges more effectively. Typically, mutual adaptation, especially on a proactive basis, increases the perceived level of satisfaction in both interacting organizations (e.g. Halinen 1997). The multiple objectives of both interacting parties are ideally being met during the process of adaptation. However, there also is an inherent possibility of conflict regarding the benefits received and the sacrifices made in the relationship. By definition, conflicts can be seen as decreasing the level of satisfaction in customer organizations. On the other hand, the effects of conflicts are not always negative for the development of a relationship. Not even as far as immediate customer satisfaction is concerned. Occasional conflict situations can introduce inertia to a business relationship, which, for example, can reshape existing routines towards new, potentially more effective solutions. Quite paradoxically, as e.g. Ford (1982) states, the overall performance of an “institutionalized” supplier may appear less satisfactory to a customer than during the initial phases of the relationship. This may be regardless of the fact that supplier performance, due to adaptations, usually increases as a relationship develops. Thus, a conflict may even be welcome in emancipating a business relationship from such a deadlock.

Despite their inherent complexity and informality, business relationships tend to become routinized over time. Routines and rituals established in social interaction related to adaptation and coordination processes as an interorganizational relationship develops have an important contextual meaning for understanding customer satisfaction. For example, a newly appointed account manager has to learn to master these institutionalized rules and habits in order to act satisfactorily from the viewpoint of the customer organization’s interface personnel. This kind of tacit knowledge is seriously overlooked in most attempts to assess organizational customer satisfaction.

Håkansson and Snehota (1995) regard social interaction as one process characteristic among others when conceptualizing interorganizational relationship. However, partly in contrast to this view, we perceive social interaction as the most important process aspect explaining and structuring the development of organizational relationships and all their relevant characteristics (cf. Berger and Luckmann 1966, also Möller 1994). Through ongoing social interaction, individuals construct the other process characteristics of relationships – adaptation, cooperation and routinization. Therefore, social interaction can be seen as the core activity underlying all other facets of business relationships.

In sum, it can be argued that the inner context of a customer-supplier relationship forms the starting point to a more complete understanding of the context within which
customer satisfaction occurs in complex industrial business settings. Figure 1 gives – a somewhat simplified – illustration of the inner context of business relationships.

The Second Step: The Connected Network of the Customer-Supplier Relationship

Firms and their customer relationships are embedded in the wider context of two focal networks, the ones of the supplier and the customer (cf. Grabher 1993, Weick 1979). Together, these two focal networks form what we in this paper call the connected network of the individual customer-supplier relationship. The importance of such networks is also acknowledged in recent academic research on business relationships, where a gradual shift has occurred from simple dyadic relationships to their embeddedness in business networks (Anderson et al. 1994).

Figure 1. The Inner Context of a Customer-Supplier Relationship

Figure 2. The connected network of a customer-supplier relationship

A business network is usually conceptualized as a set of connected business relationships, in which interorganizational exchange in one relation is contingent upon exchange in the other relation (e.g., Anderson et al. 1994). Most approaches to industrial networks contain the idea of the firm as a basic actor performing activities and employing resources (i.e., the A-R-A actors, resources and activities model of industrial networks, see e.g., Axelsson and Easton 1992, Häkansson and Snehota 1995). Figure 2 illustrates a simplified connected network of a customer-supplier relationship.

When conceptualizing the inner context of a business relationship, the unit of analysis varies from individuals to departments or other meaningful groups of individuals. At the level of the connected network, the main focus is on whole organizations as collective actors (cf. Anderson et al. 1994). The understanding of any individual relationship in the connected network of a focal customer-supplier relationship starts from the features of the inner context. The connected network as a value creating system provides a broader context for understanding the emergence of satisfaction related to individual customer relationships and single exchange episodes within them.

As can also be seen from the figure above, a focal supplier needs to comprehend both his own and the key customers’ relevant business networks. In addition to customer relationships, one needs to understand the logic of value creation through activity structures and resource collections related to them. The level of satisfaction in an individual customer organization is not only a function of the performance of the supplying company and its focal network. Moreover, the supplier has to attempt to understand customer satisfaction intertwined with customers’ business processes and not just with technical product performance, since in an industrial setting the customer experiences the supplier’s solution as it is connected to his everyday practices as a whole (cf. Qualls and Rosa 1995). The level of customer satisfaction, at least in the long run, is essentially affected by how the organizations in the customer’s own focal network respond and adapt to the functioning of the focal customer-supplier relationship.

Despite the fact that a supplier and its focal network had delivered a perfectly functioning production line both from the supplier’s and the buyer’s point of view, customer satisfaction in the long run might remain low if third parties in the buyer’s focal network, e.g., customer’s customers or other contributing organizations do not adapt their activities to the changed situation.

For instance, our first case company introduced an innovative concept, the so called Jumbo machine, to produce fine paper in the late 1970’s, celebrated by its key customers. However, the concept met a lot of resistance from the part of the customers’ customers who refused to believe in such a revolutionary way of manufacturing high quality fine paper. The customer organizations’ initial high level of satisfaction was quickly decreased. Later on, as the customers’ customers began to realize the benefits of the new technology, the level of customer satisfaction increased again.

In our second case company, a key satisfaction aspect within a customer relationship with a large European shipyard has been its ability to offer just-in-time steel component deliveries made possible by a direct railroad connection to the shipyard in the middle of an urban area. Key competitors have been forced to use sea freight, which has clear
logistical disadvantages. Recently, there has been a lot of discussion whether this railroad connection should be terminated due to pressures from the relationship between the shipyard and the city. Eventually, the closing of the railroad connection will change the satisfaction of the customer towards dissatisfaction, since the current cost-efficient just-in-time delivery policy will no longer be possible. Thus, the satisfaction of a key customer can also be heavily dependent on third parties in the connected network.

A thorough understanding of the connected network is also crucial for the gathering and handling of information regarding satisfaction from the customer and from the customer’s customers. The direct customer has usually more information about its own satisfaction as well as his customer’s satisfaction than the supplier. The articulation of (dis)satisfaction by the customer’s customer is usually directed at the customer. If the behavior of the customer is opportunistic, he may even falsify information, such as the defects in a product brought about as a result of his own negligence, in order to exploit the warranty of the supplier (cf. Gunter and Platzek 1994).

Thus, from the point of view of the connected network, the effective management of customer satisfaction is even more multi-faceted and complex issue than from a dyadic customer-supplier relationship perspective. Firstly, a supplier can more or less directly influence its own focal network. For instance, it can aim at increasing the technical quality of its subcontractors’ deliveries through more efficient joint planning and product development. This interorganizational activity linking and resource tying within the focal network forms the essence of the networking phenomenon from the supplier’s viewpoint. However, if we are to understand the formation of customer satisfaction from a broader contextual perspective, additional issues have to be considered. Secondly, a supplier has to recognize the primary features of its customers’ focal networks which can usually be influenced only indirectly, e.g. via third parties. On the other hand, the supplier may also aim at establishing direct connections with those actors in its customer’s focal network that, in one way or another, affect the level of satisfaction in the customer organization. Moreover, a supplying company also has to accept the fact that the emergence of customer satisfaction within the connected network is always partly beyond its comprehension and influence.

The Third Step: The Outer Context of the Connected Network

From a managerial point of view, as we move away from the inner context of a customer-supplier relationship towards the outer context of the connected network, the possibilities to comprehend and influence this broader arena of business decrease to a considerable extent. The outer context might be conceptualized as an extension of the connected network directly relevant to a customer-supplier relationship and its inner context. All actors have bounded knowledge about the networks in which they are engaged, because networks extend far beyond the comprehension of a single organization and the resulting connections in these outer networks are “invisible”. In fact, the global industrial system in its entirety can be regarded as one giant and very complex network.

However, it is always necessary to subdivide this global network according to various criteria depending on the specific situation and task. It should, however, also be recognized that all boundaries established are arbitrary and artificial in the sense that
they are set up e.g. by researchers or managers in accordance with their “horizons”. (Easton 1992, Anderson et al. 1994)

Figure 3 provides a simplified illustration of how we interpret the outer context of a connected network. As can be seen, there are two main possibilities of how the outer context can affect the functioning of a connected network. Firstly, one can discern directly competing value-creating systems, i.e. connected networks, in an industry (outer context A in Figure 3).

For example, the connected network producing packaging material for the food industry, structured around a relationship between a paper board manufacturer and a wholesaler, may compete more or less directly with the connected networks of other board manufacturers. Secondly, also indirectly competing value-creating systems can recognized, even from different industries (outer context B in Figure 3). Consequently, the above-mentioned connected network may also face the threat of substitution from the part of other value-creating systems build around e.g. plastics or aluminium packaging material producers and their customers. Rapid technological development in an indirectly competing industry may generate solutions that eventually start competing directly with the established solutions in another industry. For instance, recent developments in aluminium packaging technology have decreased the weight of an average aluminium can to 1/3 over a couple of years. Consequently, some customers of the paper board manufacturing industry have started to consider aluminium cans as a preferred means of packaging.

Figure 3. The outer context of a connected network
Firstly, it is important to understand how the connected network of a focal customer-supplier relationship is positioned within an industry. In other words, one must comprehend the strategic identity, i.e. the role of the focal connected network as a value-creating system vis-à-vis competing value-creating systems in an industry. It has to be noted that directly competing value-creating systems in an industry typically operate under conditions characterized by rather similar operational logic (cf. Normann and Ramirez 1994). Consequently, they are bound to similar ways of assuring and enhancing customer satisfaction. Therefore, product and process improvements to increase customer satisfaction also tend to be similar in directly competing connected networks. Moreover, it has been demonstrated that these improvements are also quite marginal in their scope and have a relatively low impact on the level of satisfaction in customer organizations in the long run (Alajoutsijärvi and Eriksson 1998).

The customers of our first case company provide good examples of the argumentation above. A paper mill can develop products only through production process innovations, which always means product development in cooperation with paper machine manufacturers. Typically, suppliers are not allowed to sell the developed products to competing paper mills within an agreed period of time, usually one year. After this time, the innovated machines and other equipment can be freely bought by anyone, which leads to the loss of differentiation advantage on the part of the paper mill, which has participated in the development of the new technology. In accordance with what has been said above, one could easily conclude that paper mills cannot sustain their competitive advantage through joint product improvement. However, this is not actually true, at least in the long run. When competing (indirectly or, later, directly) with other value creating systems (e.g. electronic media), continuous product development usually plays a crucial role. Customers have been satisfied with paper as a product for more than two centuries, mainly because of the following three, continuously improving characteristics: low cost, high performance to weight ratio and the convenience of use.

Implications for Research

On the basis of the three steps highlighted above - the inner context of a business relationship, the connected network of the customer-supplier relationship, and the outer context of the connected network – it is argued in this paper that one can gain a more complete understanding of the context within which customer satisfaction actually emerges in industrial markets. Naturally, our three steps have to be considered a presentational device as the three contexts are naturally overlapping in "reality". Generally, however, context is typically understood as something we need to know about in order to properly understand a structure, action or process. It functions as the background, environment, setting, circumstances, conditions or consequences for something that we wish to understand or explain. (Alajoutsijärvi and Eriksson 1998)

The main function of the three steps proposed in this paper is to structure the inherent complexity and multiple facets of different contexts affecting customer satisfaction as a managerial phenomenon.

However, it is not surprising that existing literature on customer satisfaction has overlooked the importance of the context. There are at least two reasons for this: firstly, there is no explicit theory of contexts and contextual analysis (cf. Van Dijk 1997), and secondly, giving full appreciation to the context means that analysis may be as complex as the research object itself, i.e. customer satisfaction. It is much easier to detach

customer satisfaction from its contexts and approximate it through more or less quantitative methods disregarding or oversimplifying the context and its consequences to the phenomenon under scrutiny.

In line with the above discussion, we argue that one should rely rather heavily on the so-called contextual research in studying the emergence of customer satisfaction in industrial markets. In Pettigrew’s often cited terms (e.g. 1985, 1990), a researcher then has to construct his or her understanding along the three dimensions of context, content and process. A profound understanding of structures and processes related to the emergence of customer satisfaction involves examining these issues within their actual environment, i.e. within the three contexts highlighted in this paper. This forms the context dimension, whereas the history of the context forms the process dimension. For example, relationships and network structures are always products of their history and the past experiences of the actors involved (“path-dependency”, e.g. Easton 1992, 23-24, Lundgren 1991, 71, Håkansson and Snehota 1989, 195).

Thus, it is essential to learn how relationships and networks have emerged and developed in order to be able to fully understand their current forms and the related problems. Furthermore, the content dimension of customer satisfaction can be conceptualized, for instance, in terms of various frameworks developed in the more traditional literature on customer satisfaction relying e.g. on product attributes, the difference between expectations and perceptions etc. In this way, one can also make use of the more traditional approaches to customer satisfaction in reflecting their results to the achieved contextual understanding. On the other hand, if a strongly contextual research approach is adopted to the study of customer satisfaction, its content may also develop towards new, more contextually sensitive frameworks or tools of analysis. In this paper, we have been rather coy about this issue. In our opinion, much more empirical research is needed in order to specify how the level of industrial customer satisfaction can be approximated realistically in context.

All this strongly suggests adopting a contextual retrospective case study approach in approximating customer satisfaction in industrial markets. From an academic perspective, we lack genuine understanding of how context specifically affects the emergence of customer satisfaction in industrial settings. Therefore, identifying the relevant elements of context (i.e. the three steps) helps us to develop the study of the content of customer satisfaction, too.

The researcher’s main challenge in a contextual research endeavor is to try to use as intensive research methods as possible to construct a sufficient understanding of the phenomena under scrutiny in their real-life contexts, based on multiple actor-informants’ own constructions of their situations in the context studied (cf. Berger and Luckmann 1966). By sufficient understanding, we basically mean that the researcher is able to comprehend longitudinally the major empirical features of the phenomenon under study in its contexts, allowing dialectical reflection between empirical observations and relevant theory to begin. Of course, many different, phenomenologically and/or hermeneutically oriented, interpretative methods might be applied in the pursuit of this understanding. As so often stated in accordance with interpretative studies, the chosen method per se is not important. It is the depth of understanding the researcher is able to produce on the basis of his or her study that is decisive e.g. to managerial implications that can be drawn from a study.

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In order to argue for the use of an interpretative approach in management studies, Shrivastava and Mitroff (1984, 18-26) compared ways of thinking of nomothetically oriented academic researchers and real-world decision makers. The latter were found to be characterized by a preference for subjective, experience-based data, and intuitive images of the focal problem. They also seemed to value informal, personal and nonstandard procedures as well as pragmatism. All this contrasts quite sharply with the reference frames of nomothetic researchers, who prefer objective, measurable and verifiable data, impersonal, analytic models and well-structured scientific theories. All this clearly suggests that the way actual decision makers think has more in common with the mindset of the interpretative researcher than with that of the nomothetic researcher (Pihlanto 1994, Gummesson 1991, chpt. 1).

Implications for Management

How can our approach to the study of customer satisfaction in industrial markets then be realized in practice? Firstly, we admit that contextually sensitive studies on customer satisfaction are time-consuming and resource-demanding compared e.g. to traditional customer surveys. A researcher has to, among other things, familiarize himself or herself with the primary features of each key customer relationship revolving around the dimensions of “context, process, and content”. Of course, the researcher has to decide what issues to focus on, based on his or her understanding of the focal company, its network of customer and other relationships, and the industry. Unlike in many traditional methods of studying customer satisfaction, we see the researcher’s experience in the focal industry as a key prerequisite for any successful study. In addition to sufficient preunderstanding, a number of in-depth interviews with key actor-informants in both the buying and the supplying organisations, in their connected networks, and in the industry have to be conducted.

However, as industrial companies usually have relatively few key customers (e.g. Håkansson and Snehota 1995), it is possible to gather and handle qualitative information on customer satisfaction. This is true also for larger industrial corporations, where the proper unit of analysis is the business unit that is operationally responsible for customer relationships. On the other hand, due to the smallness of the customer base, there is often no real need or even possibility for a quantitative analysis. If one is to conduct statistically significant analyses on customer satisfaction, one probably has to include many unimportant customers without real experience of the focal supplier in the sample. Moreover, e.g. in a specific bidding situation, it is more important for a supplier to know about the satisfaction perceptions of key decision-makers within a single customer organization than about “average” satisfaction ratings in its customer base.

Secondly, the inherent richness of the information gathered in this manner also poses a great challenge to the researcher as he or she has to analyze and reduce it to a manageable format without losing the potential of this richness for generating insightful interpretations of the current situation. Usually, research reports consist of various narratives capturing the informants’ perspectives to the subject matter in different contexts. Traditionally thinking managers may have problems in accepting such information as a basis for their decision-making. They usually demand more “objective”, usually quantified information which they believe to be more reliable. However, we argue that the “objectivity“ of such numbers is a mere mirage. If one
really wants to achieve a deep understanding of industrial customer satisfaction in contexts, the ambiguity of information has to be accepted. The richness and controversies in this qualitative information can also create new opportunities for managers to really see the “deep structures“ of their business which affect the emergence of customer (dis)satisfaction beyond numerical indicators. On the other hand, the important decision whether a focal supplier should consider single key customer relationships, broader customer relationship portfolios or “averaged” customer relationships as the unit of analysis for managing customer satisfaction in context has to be grounded on this information.

In this paper, we have made the concept of customer satisfaction in industrial markets more complex and multi-faceted than in "mainstream“ literature. It will probably be also more difficult and demanding to study customer satisfaction from our approach than if a more traditional perspective is adopted. However, we hope to have contributed to a more “realistic“ understanding of the conditions affecting the emergence of customer satisfaction in industrial markets.

There are always two goals in the development of such alternative concepts in management. On the one hand, they should be realistic and, in a way, also complex enough to properly capture the essence of the phenomena under scrutiny. On the other hand, they should be simple enough to be communicated and understood in the larger community of practitioners, and to stimulate novel thinking in companies.

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