DEVELOPING RELATIONSHIPS – A NONLINEAR PROCESS

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ABSTRACT

The research examining marketing relationships has traditionally assumed that they develop in an evolutionary linear process. There has been limited discussion of the fact that over a relationship’s lifespan it may in fact both strengthen and weaken, and that inactivity does not necessarily infer relationship failure. The paper proposes a model that allows relationships to move in multiple directions over their existence.

INTRODUCTION

There is an assumption in much of the relationship related literature that firm-constituency relationships develop in a linear or evolutionary process (Andersen 2001; Dwyer, Schurr and Oh 1987; Palmer 1995). This type of development usually assumes that there is an ongoing set of interactions amongst parties, and that relationships are continually progressing or strengthening. However, this may not be the case as the ongoing strength of relationship activity is related to parties having similar interests requiring ongoing exchanges or involvement to assist in achieving each other’s goals. Some “relationships” may in fact be short-term transactionally focused (O’Toole and Donaldson 2000).

In examining the management of a relationship, firms often seek to strengthen potential partners’ involvement using a range of activities, such as building trust, commitment, etc. (Das and Teng 2002; Dwyer, Schurr and Oh 1987; Payne, Christopher and Peck 1995; Kotler 1997). “Stronger” relationships are ideally designed to move partners up the ladder of loyalty or involvement. While the ultimate aim of the firm might not necessarily be to turn all potential partners into advocates of the organisation, the firm usually seeks to strengthen positive relationships or reduce negative stakeholder relationships (Polonsky, Schuppisser and Beldona 2002). Firms
may not want to continually invest in each relationship, especially if: the cost of developing and maintaining a relationship is too high in terms of the firm’s resources (Park, Chen and Gallagher 2002); the objectives have been achieved; a party’s strategic focus has shifted (Leminen 2001, Tikkanen and Tuominen 2002); or relationships are transactionally based and there is limited benefit in maintaining ongoing activities (O’Toole and Donaldson 2000).

Not all attempts to develop supportive relationships will succeed (Havila and Wilkinson 2002) and even years of investments may not result in an operational relationship (Leminen 2001). For example, an outsourcing relationship may take years to develop to allow one organisation to replace a firm’s current supplier, whilst a relationship between the firm and potential outsourcing organisation is “developing” (Lonsdale 1999; Wathne, Biong and Heide 2001).

On the other hand relationships may become dormant after organisations achieve their common goal (O’Toole and Donaldson 2000). For example, a short-term tactical promotional alliance may end as soon as the promotional campaign is completed, but partners may still perceive a level of involvement between the two organisations, even though no exchanges are currently taking place (Havila and Wilkinson 2002). Simply having the ability to call on a potential “partner”, with whom the firm has had a past relationship, may be perceived to be important and allow the firms to operate with “peace of mind”, as they have a supportive stakeholder with whom they can draw resources or expertise should the need arise (Havila and Wilkinson 2002; Polonsky, Schuppisser and Beldona 2002). Thus, dormant and inactive relationships are not necessarily failed relationships and may reflect the fact that relationship interactions are not necessarily linear or ongoing (Palmer 1995; O’Toole and Donaldson 2000).

Within the literature, marketers have tended to focus their examination on active relationships or the wider relationship process (for example Dwyer, Schurr and Oh 1987). Although, there has also been some examination of failed relationships (Havila and Wilkinson 2002; Park and Ungson 2001), which has been undertaken to understand how relationships can be better managed. Interestingly, much of the research on failure seems to take the view that organisations have the ability to “make” a given relationship successful, if the processes are effectively managed.
This is consistent with the lifecycle perspective, i.e. that failure or the ending of a relationship is part of the evolutionary cycle. There is limited investigation of dormant relationships or relationships that do not generate exchange (for example Havila and Wilkinson 2002), even though many of the relationship models discuss non-transactional phases of relationships, i.e. exploration and dissolution in Dwyer, Schurr and Oh’s (1987) model of relationships.

For the most part, relationship marketing literature has also largely focused on constructs and concepts from a static viewpoint (Palmer 1995). This does not take into account the dynamic interplay of relational variables (Polonsky, Schuppisser and Beldona 2002). Relationships evolve over time and operate in a dynamic environment and models of relationships must accommodate these complexities (Das and Teng 2002).

The objective of this paper is to suggest a model that can be used to better understand how relationships can develop and change over time. We chose to explicitly use the word develop rather than evolve, as we believe that development does not carry a connotation that there is an ongoing strengthening of the relationship, but rather that the relationship can change in nature, positively and negatively, over time. The proposed model allows for relationships to become more supportive amongst partners, but also allows for relationships to stagnate, become dormant, even regress in terms of involvement and even become reinvigorated.

PERSPECTIVES ON DEVELOPING RELATIONSHIPS

There has been extensive literature looking at factors that impact on marketing relationships, how relationships develop, as well as how they breakdown. Some of the variables that have been examined include trust, commitment, reciprocity, social bonding, communication, as well as other factors (Das and Teng 2002; Dwyer, Schurr and Oh 1987; Morgan and Hunt 1994; Larson 1992; O’Toole and Donaldson 2000; Polonsky, Schuppisser and Beldona 2002). The research has suggested that these relational factors impact on the quality of relationships and serve to strengthen or weaken relationship connections between parties.

In the following two sub-sections of the paper we will overview two broad relationship perspectives – linear/life cycle and processual.
A dynamic model for examining relationships is proposed later in the paper and builds on the literature that has been discussed.

**Linear or Lifecycle Process**

Much of the relationship literature suggests that they develop in a linear or lifecycle type of fashion. Ford (1980) initially proposed the five-phase relationship lifecycle that comprised pre-relationship, exploration, development, stability and institutionalisation. In the pre-relation phase, partners gather information about one another. In this phase each party asks and answers questions that allow them to evaluate the potential of the relationship. Ford’s (1980) second phase is exploration and entails discussion and negotiation of the various components of the exchange process. This frequently involves some form of investment of resources (human, financial, time) from both parties. The first two phases result in the framework and boundaries of exchange. The third phase is called developmental and involves high levels of reciprocity and learning on the part of each party. Trust and commitment come into the fore here, wherein both partners may be eager to reinforce relational issues. The fourth phase is stability where both partners have built the foundations of economic and relational exchange, and emphasise mutual importance of one another. Institutionalisation, which is the fifth phase, involves stages taken to formalise and define areas of interdependence, as well as the development of sanctions in the event of misconduct. A revised model of Ford *et al.*’s (1998) included four phases where institutionalisation and stability were integrated.

Dwyer, Schurr and Oh (1987) also proposed a five-phase model of relationship development. They suggested that the final (i.e. fifth) stage of a relationship is dissolution. Dwyer, Schurr and Oh’s other four earlier phases are similar to those proposed by Ford. They included awareness, exploration, expansion, and commitment. While the first four phases required multi-party action, either party could instigate dissolution.

Pett and Dibrell (2001) also take a linear approach, focusing on moving from one stage to another. Their model has four main phases – exploration, recurrent contracts, relational contracts and outcomes. Interestingly, their model also includes the fact that a relationship can discontinue, but that this is not the ultimate evolutionary outcome of a given relationship. Such a perspective
seems to merge the views of Ford (1980) and Dwyer, Schurr and Oh (1987).

The inclusion of dissolution within models, especially where it is not the final stage of a relationship, potentially paves the way for better understanding of relationship disengagement or relationship termination as a dynamic component of relationships, although it may not explicitly be part of the lifecycle. Havila and Wilkinson (2002) and Halinen and Tahtinen (2002) have explored relationship termination. Both sets of authors, as do Pett and Dibrell (2001), point out that this may not mean the relationship has in fact failed, but rather that it has successfully completed its goals and can potentially be reinvigorated, should the need arise.

The Processual View

The processual view examines inter-organisational relationships as dynamic phenomena built around the interplay of a range of factors (Tikkanen and Tuominen 2002). This perspective is closely linked with network theory, in that it discusses that exchanges involve multiple inter-related parties, which are continually changing as the environment and organisational factors change (Das and Teng 2002; Wilkinson and Young 2002). Such a perspective reflects the interactivity and dynamism of inter-organisational relationship building. This approach contends that the relationship lifecycle is inadequate and does not capture much of the dynamics pertaining to inter-firm relationships (Das and Teng 2002; Chelariu, Johnson and Young 2002).

The processual research explores complex, haphazard and contradictory interactions between parties or stakeholders and allows for conflicting models to be built around divergent behaviours. The "processual" view is propagated around the thought that change is an evident part of inter-organisational relationships, and is characterised by continuous processes (Tikkanen and Tuominen 2002). This perspective proposes capturing the complexities of the environment so as to support the internal dynamic processes of organisations and their environment (Das and Teng 2002). This makes the management of relationships more complex, as not only are multiple parties involved, but also their relative importance within relationships continually changes (Polonsky, Suchard and Scott 1999). For example, stakeholder theorists have tried to categorise partners to
allow firms to identify which members of a network are core to the success of a relationship (for example, Mitchell, Agle and Wood 1997).

While some of these authors have discussed processes for evaluating stakeholders, they have, for the most part, not identified how these relationships can be managed. One exception is Polonsky, Schuppiesser and Beldona (2002), who built on the work of Tuominen (1995), by suggesting that relationships can strengthen and weaken depending on how the factors of relationship orientation, trust, communication, learning, power, reciprocity and commitment vary. Polonsky, Schuppiesser and Beldona (2002) explicitly recognised that relationships develop in a "processual" fashion between parties, which are influenced by all stakeholders involved in the exchange network. As such, all relationships in the exchange network both develop and change at the same time. For firms this means that dealing with relationships is not something that occurs in a planned way (Wilkinson and Young 2002) but rather is co-dependent in regards to partners and their environment (Das and Teng 2002). Such a view has been supported elsewhere in broader strategy literature, with authors referring to emergent strategies (for example, Osborn 1998), where a strategy develops without being completely controlled. This same type of perspective can be applied to relationship development.

A DYNAMIC MODEL FOR RELATIONSHIPS

The remainder of this paper examines a dynamic model of relationship development that enables relationships to strengthen and weaken. This dynamic perspective should enable firms and their partners to better understand and manage potential and ongoing relationships (See Figure 1). However, the specific strategies that can be used to manage a relationship will depend on the state of the firm-partner interactions in question and the vast array of moderating factors, identified previously. It is beyond the scope of this paper to discuss how these various moderating factors will influence relationships progressing or regressing, and this is an important area for future research.

In proposing this model we draw on the literature discussed previously. As is depicted in Figure 1, we suggest that there are three phases of a relationship, which can be further divided into
several stages. We specifically choose to use the words phases and stages, as the model is designed not to necessarily identify a linear development of relationships, but rather reflect that there are three main phases, no relationship (exploration), active relationship (actualised) and inactive relationship (inactive/deactualised).

![Diagram of relationship development phases](image)

**Figure 1: Nonlinear Model of Relationship Development: Phases and Stages**

Progressing a relationship can involve a range of individual movements between the three phases or in the stages within phases (i.e. the eleven arrows). It is unlikely that any two firm-partner relationships, no matter how similar the sets of partners, will evolve in the same way, simply because each partner faces different environmental forces (Das and Teng 2002). While firms may wish to progress a relationship with an important party to a higher level of involvement, this may not occur, as the relationship might get caught up in iterations at one stage or another, or a given relationship might become dormant for extended periods of time before it is reactivated. These phases and the relevant components will be discussed in the following subsections.
Exploration

In most of the linear models of relationship, there is recognition that some activities must take place before any relationship can be initiated. Ford’s (1980) five-stage model includes two distinct phases requiring organisational action where there is no relationship operating - pre-relationship and exploration. Within Dwyer, Schurr and Oh’s (1987) and Pett and Dibrell’s (2001) models, they both have an exploration phase, which involves the firm undertaking a range of actions that serve as precursors to the relationship being formed. Andersen (2001) suggests that there are two pre-relationship phases, which require extensive organisational resources, if the relationship is to develop. Kotler (1997) also has two pre-exchange relationship categories, which one “suspects” include potential parties with whom a relationship will possibly be formed.

The processual approach identified the need for organisational actions before a relationship is initiated, although these are sometimes discussed in relation to the antecedent variables that are required (Das and Teng 2002). Within the first phase of the relationship we have included two stages - potential relationship and relationship discovery - these will be discussed below.

Potential Relationship Stage
In this initial stage, parties are either unaware of each other or are individually beginning to identify that there may be some potential benefit in developing a relationship. The characteristics would be similar to pre-relationship identified by Ford (1980), Kotler (1997) and Andersen (2001). The parties have never directly or indirectly addressed each other. The lack of direct or indirect interactions does not necessarily mean that the parties are unaware of one another, although they may be unaware of one another. When firms begin to actively seek out partners they move to the discovery phase (i.e. down arrow 1). It is however, possible that they do not move out of the potential relationship phase, especially if there is no organisational belief that external parties can assist the organisation.

Relationship Discovery Stage
The second stage is relationship discovery, in which the parties unilaterally observe and analyse each other and each other’s actions. Discovery might have occurred deliberately or by chance.
The analysis will concentrate on a range of attributes (e.g. Mitchell, Agle and Wood 1997) and will potentially take some time. If this phase is rushed it could result in one organisation being confronted with unanticipated demands from potential partners. In other cases the discovery phase may be short, for example if a partner is urgently sought to address an issue of concern.

When parties are in the discovery phase they cannot look back on a common relationship history. Their frames, beliefs and knowledge about the other and thus their relationship orientation have no experiential basis (Polonsky, Schuppisser and Beldona 2002). Thus, organisational strategy, structure and culture need to be considered when establishing an initial relationship. If a relationship is regarded as potentially beneficial for one of the parties in terms of its frames, communication will increase (Andersen 2001) and the relationship will become an actualised relationship (arrow 3).

The firm may start the discovery phase with many organisations. The information gathered on each potential partner will result in the firm deciding that the relationship should or should not be progressed. Non-progression does not mean that the relationship has failed, even though it does not become operational. In one situation the firm may decide after initial investigation, that potential partners are not suitable. If the firm then decides not to seek out alternative partners it would move back to the potential relationship phase (up arrow 2). Alternatively, if the firm has had extensive discussions with potential partners, it has in fact gained substantial information knowledge, and understanding of potential partners might be used in the future (Havila and Wilkinson 2002). In this later case they may move from relationship discovery to an inactive/deactualised relationship (i.e. down arrow 11).

**Relationship Actualisation Phase**

Within the processual view, authors have discussed the dynamic and adaptive nature of exchanges and the environment that exchanges operate within (Wilkinson and Young 2002; Tikkanen and Tuominen 2002). In the lifecycle approach, most of the emphasis has been on the ongoing operation of the relationship. Ford’s (1980) model incorporates three components related to operations. Dwyer, Schurr and Oh (1987) have two stages related to ongoing operations, whilst Pett and Dibrell (2001) have four
stages related to ongoing operation. It is clear from the previous models that there are several stages within this phase. We now discuss what we believe are the three stages of relationships that address their ongoing nature, i.e. what we refer to actualisation.

**Relationship Initialisation Stage**
Parties begin to directly or indirectly address each other in regards to the specific relationship. This is different to the discovery interactions, which signed to evaluate potential relationship partners. Initialisation involves extensive learning, as each party begins to understand how the other communicates, reacts to others’ actions or exerts its influence (Polonsky, Schuppiesser and Beldona 2002). The initialisation phase ends when the quality of interactions become almost routine, i.e. variation is decreasing. This may coincide with having found an arrangement for handling interests or issues that led to relationship discovery in the first place.

If parties decide that the relationship should be developed further they move to stabilisation of the relationship (i.e. arrow 5). However, initial interactions may identify that parties cannot or should not work together and the relationship becomes deactualised (i.e. move down arrow 4). The determination that the relationship should not evolve further requires extensive information gathering, relating to parties’ organisational culture, objectives and modes of operation, and is more detailed than the information collected in the exploration phase. Even in deactualisation, organisations may be in a situation where they can draw on this knowledge and re-develop the relationship in the future (Havila and Wilkinson 2002), i.e. they may be able to use this information to assist or advance discovery of a potential relationship (i.e. arrow 10) or possibly even reactivate the initialisation stage (i.e. move up arrow 4).

**Relationship Stabilisation Stage**
After having experienced a peak of interaction intensity in the initialisation phase parties interact on a much lower intensity level. There is a better understanding of the responsibilities of each party and additional interactions serve to maintain relationship quality. A reduction of exchanges may decrease below a certain threshold resulting in the relationship becoming deactualised (i.e. move down arrow 6). Although, as with previous stages, the knowledge and experience could be used to restart the relationship (i.e. move
up arrow 6) or possibly assist the organisation in developing a relationship with this partner in another context (i.e. arrow 10).

In cases where minimum levels of exchanges take place, the relationship becomes stable and can develop to the next stage of operational relationship (i.e. arrow 7). Within the literature several authors have referred to operating relationships using the terms institutionalisation (Ford 1980) and commitment (Dwyer, Schurr and Oh 1987), which will be discussed in the next sub-section.

**Operational Relationship Stage**

In this situation the relationship continues with minimal variation, although there may be some need to change some aspects of the relationship, as a result of internal partner changes or changes in the external circumstances (e.g. the emergence of a new issue). In this situation the relationship moves back to the stabilisation stage (arrow 8) and in extreme circumstances could even move back to the initialisation stage (arrow not shown) if the changes are substantial enough. Any re-negotiation of a relationship will benefit from the parties’ previous common history.

If the changes are substantial the relationship might possibly break down and enter deactualisation (i.e. move down arrow 9). It might also cease to operate if the relationship objectives have been achieved (the next sub-section will discuss inactivity in more detail). As with deactualisation in other stages, the relationship could be reactivated if the need arose (i.e. move up arrow 9). Given the parties’ extensive knowledge and experience with one another it is likely that they may call on this past partner again, especially if the relationship concluded successfully. As such, new relationships, with old partners, could easily move to new discovery stages (i.e. arrow 10), or even possibly move directly to initialisation (i.e. up arrow 4).

**Inactivity/Deactualised Phase**

The relationship becomes deactualised or temporarily dormant when interactions between the parties cease and can occur from any stage (arrows 4, 6, 9, 11). Relationship inactivity has been discussed in terms of failure and in terms of relationship development (Dwyer, Schurr and Oh 1987; Halinen and Tähtinen 2002; Havila and Wilkinson 2002; Pett and Dibrell 2001). Some have even suggested that there are identifiable steps associated
with relationships ending (Halinen and Tähtinen 2002). The dynamic model proposed does not incorporate individual deactualisation stages, although as is depicted in Figure 1 these movements can follow a range of pathways.

Authors such as Dwyer, Schurr and Oh (1987: p. 19) discuss “dissolution” as relationship failure and something that causes “psychological, emotional and physical stress.” However, deactualisation does not necessarily mean the relationship failed and would not be viewed negatively by parties but rather is developing a valuable asset (Havila and Wilkinson 2002; Pett and Dibrell 2001). Successful completion of a relationship, possibly including discrete exchanges, will become inactive when the objectives have been achieved, but might potentially reactivate in the future (Havila and Wilkinson 2002; O'Toole and Donaldson 2000; Pett and Dibrell 2001). Alternatively, relationships can fail without completion of the exchange or problem solution and may result in the negative effects Dwyer, Schurr and Oh (1987) identified.

Actualised relationships can develop from the potential stage or may develop from an inactive/deactualised relationship. In the case of movement from inactivity to activity parties already have a common history, which plays an important role in the development of the relationship (Havila and Wilkinson 2002; O'Toole and Donaldson 2000). In these cases parties have more information to evaluate “new” interactions, which is in fact re-discovery of an existing relationship (i.e. arrow 10), or alternatively the relationship may re-emerge into one of the stages of the actualisation phase (i.e. arrows 4, 6, or 9).

**CONCLUSIONS**

The objective of this paper was to propose a model that captures the non-linearity of relationship development. The model synthesizes linear/lifecycle and processual views, and illustrates the dynamics of relationship development through distinguishable relationship phases and stages. The fact that relationships can move, both forwards and backwards, is critical in marketing, as it means that relationships will potentially fluctuate over their duration. Thus marketers need to consider not just how relationships strengthen and weaken (Polonsky, Schuppisser and
Beldona 2002), but to deal with complex and dynamic environments.

The fact that there is no exchange currently taking place might not mean that a relationship does not exist between the parties. The proposed model accommodates this key phase pertaining to inactivity/ deactualisation and integrated it into the dynamic of relationship development. The role of inactive relationships is not something that has been extensively explored in the literature (for example Havila and Wilkinson 2002). While some failed relationships have been examined (for example Park and Ungson 2001), it might be more interesting to examine dormant relationships, as these represent valuable resources. In this regard, the question of how dormant relationships are maintained, especially given the changing nature of organisational activities, would be valuable. Another interesting question is what causes organisations to draw on these dormant relationships and are they as effective as would be relationships with new partners, who are not sought out because of reliance on previous relationships.

Researching relationships over their life is a complex task, which is why many researchers have chosen to examine relationships at one point in time. Future research needs to examine not only why relationships change, but also what impact organisational strategies have on changing relationships. As is suggested in the product life cycle literature, there might be strategies that can speed up the exploration phase, while at the same time ensuring organisations develop the most appropriate relationship. It is unfortunately not possible to identify the repercussions of selecting different partners or dealing with partners in different ways. This would also explain why much of the processual literature takes a qualitative approach to examining the phenomena, and this may be the best approach for developing a richer understanding of how relationships develop over time (Tikkanen and Tuominen 2002).

REFERENCES


