B2B `Relationships' - A Social Construction of Reality?: A Study of Marks and Spencer and One of its Major Suppliers

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B2B 'relationships' – a social construction of reality?

A study of Marks and Spencer and one of its major suppliers

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Abstract. *This paper will suggest that the growing attention to B2B 'relationships' is merely part of a wider growth in the interest in long-term exchanges between economic actors. 'Relationships' are said to have distinguishing characteristics – in particular the existence of commitment and trust plus the expectation of continuity. The paper describes Marks and Spencer's links with one of its major suppliers using information about this exchange's history from sources including members of the supplier and the customer firms, legal submissions and also independent observers. It uses this information to make two interpretations of the exchange and as a consequence questions whether or not 'a relationship' in the B2B context is a 'social construction of reality'.* ***Key Words*** ● *B2B relationships* ● *commitment* ● *economic exchange* ● *Marks and Spencer* ● *relational continuity* ● *relationship management* ● *trust*

The growing attention to 'relationships' is merely part of a wider growth in the interest in long-term exchanges between economic actors. Interest in this very broad category is coming from a number of directions, including cooperative exchanges between economic actors (Zaheer and Venkatraman, 1995; Ring and Van de Ven, 1992); intermediate or hybrid forms of governance (Williamson, 1991); joint ventures (Harrigan, 1985); alliances (Lewis, 1990); and so on. Though it is claimed that relationships have distinguishing characteristics – in particular, the existence of commitment and trust and the expectation of continuity – there remains a lack of consensus as to what 'a relationship' is. Indeed the comment that

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'While intuitively appealing, the notion of "relationship" may be difficult to grasp' (Hakansson and Snehota, 1995: 24) is arguably somewhat of an understatement with many writers who discuss 'B2B relationships' while failing to define the term. As Kalwani and Narakesari stated: 'There is no strong consensus at the present time about the terminology and typology of defining the spectrum of inter-organizational forms in manufacturer-supplier relationships' (Kalwani and Narakesari, 1995: 2). This view has been reiterated by Moller and Halinen (2000: 30) who comment: 'The relationship marketing concept is currently used to cover a fragmented set of ideas and theoretical formulas'.

This paper will examine a well-documented long-term exchange between two large organizations and will then assess this exchange against a set of criteria to determine whether or not a relationship existed. By introducing an alternative interpretation of the exchange it will conclude that in the B2B context it was only a 'social construction of reality' (Berger and Luckman, 1966: 15). It is suggested that such an interpretation has a number of implications for research into and also the management of relationships, with the implication being that some existing research suffers from critical limitations.

Marks and Spencer plc and its suppliers

Marks and Spencer (M&S) buys its garments direct from manufacturers rather than through wholesalers. In the 1990s its four biggest suppliers of clothing were Baird; Courtaulds; Coats-Viyella; and Dewhirst, all of whom had supplied M&S for several decades. From 1990 to 1998 the annual value of clothing supplied to M&S by those four suppliers rose from £867.2m to £1,235m. M&S's ordering practice was that there were two seasons: Spring/Summer and Autumn/Winter. The process of producing the goods for those seasons commenced 12 months ahead, with M&S issuing a design brief and the production by the suppliers a few months later of working designs and garments.

The view that M&S's relationships with its suppliers was an exemplar of good practice is clearly demonstrated by Lewis's 1995 book *The Connected Corporation – how leading companies win through customer-supplier relationships.* To write this influential book Lewis selected four companies who were internationally recognized as leaders in the management of customer-supplier relationships and 'whose levels of excellence set a useful bench mark for others' (Lewis, 1995: xvii). He conducted extensive interviews with managers of these four companies and their suppliers. One of these companies was M&S where, with the support of Sir Richard Greenbury who was its Chief Executive from 1981–99 and its Chairman from 1999–2000, he interviewed a large number of its managers at a variety of levels in the organization. He also interviewed managers from several of M&S's suppliers.

From its inception some 70 years ago the special partner relationship that M&S had developed with all its suppliers of goods and services was a cornerstone principle of the company. Furthermore, according to Greenbury:

> . . . it was at the very heart of the way M&S did business with its suppliers and a fundamental part of that philosophy was that M&S was going to carry on doing business with the manufacturer season after season, year after year. It was always clearly understood that once a major supplier to M&S always a supplier – unless the manufacturer's performance was considered to be poor in which case high level meetings would be arranged to discuss the situation. Continuity of business was the necessary context for M&S's significant and meaningful relationship with its suppliers. Indeed, without it being understood that there were years of the relationships to come, the collaborative discussions which led to formal decisions and production and marketing policies would have been pointless. (Baird and Marks & Spencer, 2001: 2)

The power of M&S's supply base was said to depend upon close links and commitments between M&S and its suppliers at all functions and levels: technical, operations, quality, management and philosophical. In fact, the heart of its relationships was the shared values and understandings. An M&S manager commented that 'they (viz. suppliers) are as much locked into our way of thinking as we are. These firms are more willing to take risks for M&S because there is more trust in the relationships' (Lewis, 1995: 138).

M&S, in common with other UK retailers, does not have contracts with its suppliers because, it claims, 'the day we write one it can be broken for many reasons: a change of mind, quality problems, or a recognition that we can do better. Instead, the entire relationship is long term and based on trust' (Lewis, 1995: 258). Once M&S and its suppliers have concluded price negotiations and M&S has decided on volume allocations, the final understanding is confirmed in writing. But there is no legal contract and one M&S manager said: 'A contract would weaken trust' (Lewis, 1995: 258).

M&S believed that the long-term mutual learning and adjustment that can arise within alliances like these benefit from low turnover among people at the interface. Such low turnover facilitates the growth of trust and teamwork within relationships, and the creation of shared habits makes each customer interface culturally distinct. The chairman of Northern Foods (an M&S supplier) stated: 'Effective co-operation with M&S is to a significant extent a cultural process. One must be able to identify with their culture, know when to be firm and not to be firm, and know where the pitfalls are. I am certain they feel the same way about us' (Lewis, 1995: 193).

Northern Foods maintained that M&S sought to keep a fair balance between the benefits and costs it incurred and those of its suppliers, and that if a project was working well for M&S and not for a supplier, or vice versa, the issues were identified and discussed. Then both firms tried to help each other to adjust as necessary. Such a task might involve an investment of more resources on either side to create more value.

Northern Foods said that its relationships with other retailers were very different. Indeed Lewis commented that, in other customer-supplier alliances, suppliers fear that they become vulnerable during troubled times as the customer then squeezes its suppliers' profits to protect its own margin in a declining market. However, Lewis pointed out that M&S's ties to its suppliers exemplified another approach that creates more value for everyone. He reported that M&S regarded the calibre of supplier relationships as so crucial that it went to great lengths to keep its current suppliers, offering substantial assistance and management guidance when they had problems.

M&S fostered close relationships between its senior personnel and those of its supplier. Thus, in 1998 and 1999, Greenbury and Salsbury, who had taken over as Chief Executive in 1999, both addressed suppliers' management conferences. Frequent top-level meetings were also held between the individual suppliers' chairmen and chief executives and M&S, where long-term strategy was discussed as well as the strategy for the next 12 months. Daily communications took place between the suppliers' senior and middle management and M&S regarding issues such as sales, design, technology, quality and logistics.

In 1999 in his chairman's statement in M&S's 1998 Annual Report and Accounts, Greenbury stated: 'I would like to pay tribute to our suppliers of goods and services who have worked closely with us in partnership to develop the business. Once again they have done an excellent job and their continued investment and increased commitment to supplying us augurs well for our combined futures.'

Was this exchange 'a relationship'?

It has been suggested (Blois, 1997) that it is possible to assess whether or not an exchange is a relationship only by knowing:

- The contractual terms under which the exchange is being conducted;
- The behaviour within the exchange process over extended periods of time;
- The participants' explanations of the reasons why they undertook the observed actions.

There was not a legally binding contract between M&S and its suppliers, but many of the suppliers had worked continuously with M&S for decades and so there was substantial evidence of both parties' behaviour in a wide range of situations. M&S was certainly keen to explain its behaviours and the rationale for the way it had treated its suppliers over extended periods in terms that resonate with the language of relationships. Its suppliers, though less vocal, did not, in their public statements contradict M&S's publicly expressed view. Furthermore knowledgeable observers (not just Lewis) regularly used the M&S/supplier behaviour as an example of the value of relationships.

To test the question 'Was this exchange a relationship?' even further, is to run into difficulties arising from the inadequacies of much of the literature on relationships. In particular not only is the term 'a relationship' not well defined, but neither are concepts such as trust and commitment, which are central components of most descriptions and definitions of relationships.

With regard to 'trust', this is a term that both M&S and its suppliers use when describing how they interact. However, the concept of trust is both complex and much disputed with significant differences in the definitions used by experts in the field. For example, Baier states: 'Trust then . . . is accepted vulnerability to another's possible but not expected ill will (or lack of good will) towards one' (Baier, 1986: 235). However, Govier takes a significantly different view, asserting that there is a positive aspect to trust because it 'involves expectations of benign action and acceptance of vulnerability' (Govier, 1994: 238). Certainly M&S's statements (e.g 'Should there be cutbacks, M&S would remain loyal to this group' [Lewis, 1995: 138]) about the way they would manage the exchange with these larger suppliers implied an almost benevolently benign attitude to them.

The term 'commitment' has received considerably less attention than trust. Even so, there is neither substantive agreement as to how the term should be defined nor what components contribute to it. For example, Kumar et al. (1994) claim that it has only two components: affective and calculative. In comparison, Gundlach et al. (1995) argue that commitment has three components: instrumental, attitudinal and affective. The difficulties that this lack of agreement presents is nicely illustrated by Kumar et al.'s (1994) calculative component which refers to a firm's motivation to continue the relationship because it cannot easily replace its current partners and because it cannot obtain the same resources and outcomes outside its current relationship. Indeed De Ruyter describes this component as a 'negatively orientated type of motivation' (De Ruyter et al., 2001: 272). The implication is that a relationship where this component is significant can only be associated with a very limited form of trust as the party involved is more or less compelled to remain in the relationship.

Statements from both M&S and its suppliers are indicative of the trust and commitment that existed between them. For example, a vice chairman of M&S stated: 'There is no quick exit for suppliers with problems. If a firm's offering for a season is not acceptable, or if there is another problem, it is our mutual duty to help them get it right' (Lewis, 1995: 143). This view is reciprocated from the supplier's side by comments such as 'if a product sector is working well for M&S and not for the supplier, or vice versa, the issues are identified and discussed and both firms try to help each other adjust as necessary' (Lewis, 1995: 177).

Surely if ever there were customer/supplier situations that served to illustrate how well a relationship can operate these did. There are observable benefits for all the parties involved – the suppliers, the customers, the shareholders and the shoppers. Furthermore it is interesting to note that M&S, its suppliers and informed observers regularly used both the words 'commitment' and 'trust' in their descriptions of the M&S/supplier operations and expressed confidence that their association was ongoing. This reflects the academic literature's findings that commitment and trust, plus an expectation of continuity, are vital to relationships.

The 'relationship'?

However, there is another interpretation of the M&S/supplier situation that does seem to question whether there was a relationship – at least in the sense that many writers refer to them.

The process of producing the goods commences 12 months ahead, with M&S

creating a design brief and the production by the suppliers, a few months later, of working designs and garments. Once M&S receives the suppliers' designs it determines which ones should be used and, when it has done this, the designs become M&S's property. M&S then makes them available to other suppliers (through its practice of splitting programmes for the manufacture of any particular garment between up to three different suppliers) and then allocates the manufacturing work amongst them. This allocation is made having taken account of who designed the garments that have been selected, the production capacity of each supplier, costings, the technical expertise and innovation being offered by the suppliers, and many other factors. These would include M&S's views on the likely future role of a given supplier in any particular product area relative to the growth of M&S. However, the supplier that originated the design would not necessarily be given any production orders for that item.

M&S requires suppliers annually to submit in detail their turnover projections for the ensuing three years together with their manufacturing plans, reports on management changes, operational strengths and weaknesses. These plans were expected to take account of M&S's requirement that suppliers keep sufficient manufacturing capacity to meet and to be able to be highly responsive to M&S's continuing requirements.

M&S places orders with its suppliers for individual garments in respect of each season. Such orders are made on the basis of terms and conditions entitled General Merchandise Terms of Business, which were amended from time to time and are explicitly understood by M&S and the suppliers not to constitute a contractual arrangement. These terms and conditions include:

1 M&S having the right to vary and alter the cost prices, quantities and completion dates of the original orders;
2 M&S having the right to cancel an order, with only 70–100% of the cost of the raw materials being reimbursed;
3 M&S having the right unilaterally to deem merchandise as faulty and return it;
4 M&S having the right to impose a discount on agreed prices;
5 Suppliers complying with standards, which govern almost all aspects of factory conditions, stipulated by M&S. Any factory that a supplier uses to supply M&S requiring inspection, approval and certification by M&S;
6 Suppliers ensuring that M&S's production has priority in their factories and that segregated lines are used. M&S prefers its suppliers not to manufacture garments for any other retailer in any factory used for the manufacture of garments for M&S;
7 That all third parties with whom suppliers contract in the course of supplying M&S must be approved by M&S. In particular, M&S provides a list of recommended fabric suppliers for its suppliers to use;
8 Accepting that M&S can appoint, without reference to the clothing suppliers, fabric suppliers from whom the clothing suppliers must take supplies;
9 Accepting that M&S can stipulate the distributors that suppliers are to use to distribute manufactured garments to M&S's retail outlets;

10 M&S 'encourages' its suppliers not to become too close to other retailers. M&S's displeasure at their key suppliers selling to its competitors has caused its suppliers to cancel agreements to sell to other retailers;
11 Suppliers are expected to seek the approval of M&S before acquiring any company or business that might impact on their M&S supply business;
12 Suppliers are expected to take note of M&S's suggestions that they should take-over other suppliers and that, following such take-overs, specific individuals should be appointed as members of their board of directors;
13 To accept M&S's advice concerning the extension of their productive capacity in the context of M&S's view to its future requirements;
14 Suppliers are to provide M&S access to confidential information, including:
   i) details of its contractual arrangements with third parties, particularly fabric suppliers;
   ii) financial information about its businesses;
   iii) the use of ideas and other intellectual property belonging to businesses owned by them but not involved in supplying M&S.
15 Suppliers are to use eight trading practice regimes and accreditation schemes which involve them in considerable research and expense;
16 When a clothing supplier wishes to contract with a supplier not included in M&S's list of preferred fabric or component suppliers it is obliged to show that the proposed supplier meets M&S's preferred supplier requirements. Furthermore, that it is a unique product that could not be supplied by a supplier currently on the approved list;
17 If M&S decides to reduce a garment's retail price then suppliers will be required to reduce their prices for such goods;
18 If a garment does not sell well in one particular season, manufacturing programmes will be reduced with compensation only paid for the cost of any fabric already purchased. If the garments are already made, suppliers are required to keep the manufactured stock in storage, at their own expense, in case M&S requires it in the future.

Many examples exist of M&S also making one-off demands of its suppliers that go beyond normal commercial relationships. For example, in the period June to October 1999 all of M&S's major clothing suppliers participated in a strategic review of M&S conducted by consultants. In the course of this review each supplier was required to provide detailed confidential information about all aspects of their businesses. This information was at a level of detail and commercial sensitivity that would not normally be provided by a supplier to any customer.

Overall this picture of M&S and its arrangements with its suppliers is somewhat different than that portrayed in the section above headed 'The "relationship"', and it is arguable that the M&S/supplier interaction was an illustration of one of the several intermediate forms of governance of long-term exchanges between economic actors. Indeed, the interdependence between M&S and its suppliers described above is such that it appears to be an illustration of *vertical quasi-integration* – namely 'a type of vertical integration without legal form' (Blois, 1972a: 268), through which a firm can gain 'the advantages of vertical integration without assuming the risks or rigidities of ownership' (Blois, 1972a: 253). That the M&S/supplier situation is an example of vertical quasi-integration is supported by the view of Penrose (1959) that the definition of the firm is determined by the existence of an autonomous planning unit that is accepted as the highest authority within the administrative framework of the firm. This 'unit' makes decisions on matters such as '*the major financial and investment decisions of the firm, and the filling of the top managerial posts*' (Penrose, 1959: 16; italic added), which is exactly what M&S's board did with regard to its suppliers.

A 'relationship' or what?

The doubts raised by this interpretation of the transactions as to whether or not a relationship existed are emphasized by the further consideration of the terms 'trust' and 'commitment'. Thus, although both M&S and its suppliers use the term 'trust' when describing their exchanges, many of the requirements M&S imposed on its suppliers show that there were significant issues with regard to which there was not trust. The question 'Just how much (e.g. with regard to how wide a range of activities) trust is needed for "a relationship" to exist?' is not discussed in the literature, but M&S's requirements call into question the validity of the use of the word 'trust' as a blanket term. This gives emphasis to the need for greater recognition that trust is a complex relation 'where *A trusts B to do X* and that X is often quite specifically defined. It is also the case that *A distrusts B with regard to Y* and that *A has no conscious view of B's trustworthiness with regard to Z*' (Blois, 1999: 200).

With regard to commitment, which is considered to be 'not merely the desire to maintain a relationship but a belief that the relationship is important enough to warrant a considerable degree of effort to maintain it' (Sweeney and Swait, 2002: 706), there are many examples of actions which seem to demonstrate commitment between M&S and its suppliers. Yet the list of requirements indicates that commitments are predominantly demanded by M&S from its suppliers and there is little offered by M&S to its suppliers. For example, there are examples of investments being demanded by M&S which exposed the suppliers to the risk of opportunistic behaviour by M&S. For example, in 1996 Baird was required to invest in a particular computer system which was made bespoke to M&S's requirements at a cost of £246,000 (Baird and Marks & Spencer, 2000: 3).

While the description of the interactions between M&S and its suppliers as vertical quasi-integration is not totally incompatible with there being a relationship it, at the very least, raises some questions. For example, are not most analyses and descriptions of relationships a little sanguine in the emphasis they give to the benefits of relationships and why do so few say little (if indeed they say anything) about 'the burden of relationships' (Hakansson and Snehota, 2002). Thus, for Lewis, M&S was not just a good manager of supplier relationships, it was with regard to this issue, a veritable paragon of virtue. Indeed what is described above (in the section headed 'Was this exchange "a relationship"?') will come as a surprise to readers of Lewis who, while in his preface comments that '. . . some of their suppliers say the relationships do not work as well as they might' (1995: xvii), gives few details of these difficulties and proceeds to state: 'Still, they (viz. the customers such as M&S) are acknowledged leaders whose level of excellence set a useful benchmark for others. That is the focus of this book' (Lewis, 1995: xvii).

In fairness to Lewis, few other descriptions of M&S/supplier activity had reported as many items from the list of requirements set out above that M&S imposed on its suppliers. (Indeed the list above is drawn from the court records of Baird's legal action against M&S [Baird and Marks & Spencer, 2001]; see below.) Certainly well-informed observers felt that the M&S/supplier interaction represented an excellent example of relationship management – at least up until October 1999.

Definitely not 'a relationship'

Throughout 1998 and 1999, M&S suffered from unusually poor sales and consequently profits fell by approximately 50% between 1997 and 1998. In October 1999, following a review of its sourcing policies that had been started in May, major changes were announced; the most significant of which related to Baird. M&S informed Baird that its current orders due for delivery in April 2000 would be its last and that its 30-year relationship as a supplier would end at that point. Very soon after this, Baird announced that it was making 4,300 employees redundant at a cost of £15 million. Baird claimed that M&S's decision had come as a complete surprise and stated: 'We do not accept that there was not a long-term, special relationship' (Cope, 2000) and: 'We are extremely disappointed that such a long-standing relationship, based on mutual trust, has to be terminated this way' (Gosling, 2000). In January 2000 Baird's managing director claimed that the decision had come as 'a bolt from the blue' (Burrell, 2000: 1) and instituted legal proceedings against M&S, claiming £53.6 million as compensation for the lack of at least three years' notice of M&S's intention to terminate the relationship. However, M&S asserted that 'we have been in honest discussions for some time with Baird and our other major suppliers' (Burrell, 2000: 1).

The situation up until 1999 was clear. Here was a firm that was profitable, had satisfied customers, had an outstanding public image, and had a loyal and profitable set of suppliers. Yet this was a firm that, in spite of proud and not infrequent assurances that in the case of a decline in its sales it would remain loyal to its suppliers and which had claimed: 'Should there be cutbacks, M&S would remain loyal to this group' (Lewis, 1995: 138), had given one of its four largest suppliers six months notice of its intent to totally dissolve the relationship.

Thus while prior to October 1999 it can be debated whether or not M&S and Baird had a relationship, there can be no question that post October 1999 there was not a relationship between M&S and Bairds. There was merely, up until April

2000, the completion of an exchange. Indeed the total breakdown of the relationship is demonstrated by Baird's announcement that it was suing M&S.

Was there 'a relationship'?

In the light of M&S's actions in October 1999 there are a number of possible questions that arise in seeking to interpret the Baird/M&S situation prior to that date. Amongst these are:

- Is vertical quasi-integration incompatible with the existence of a relationship?
- Did both M&S and Baird genuinely believe that they had a relationship?
- Was Baird's belief that it had a relationship with M&S the result of deceitful behaviour by M&S?

First, is vertical quasi-integration incompatible with the existence of a relationship? At a superficial level there is no fundamental reason why vertical quasi-integration is incompatible with there being a relationship between a supplier and its customer. Nevertheless, descriptions of vertical quasi-integration and the practices that are employed by the dominant party do not sit comfortably with the descriptions of relationships. This is so even though it is noticeable that managers, when discussing relationships, frequently make it clear that one or other party is the more dominant. Furthermore, as was pointed out above, many descriptions of relationships avoid identifying or discussing the disadvantages that may be associated with being in a relationship.

Thus while vertical quasi-integration and a relationship are not mutually incompatible, much of the relationship marketing literature does make it difficult to regard them as being congruent with each other. Indeed the emphasis on mutuality within the relationship literature is limited under vertical quasi-integration to the dominant partner, but only so long as it anticipates that it will require its services, allowing the other party no more profit than is sufficient to remain in business (Blois, 1972b).

Second, did both M&S and Baird genuinely believe that they had a relationship and consequently acted in a manner so as to 'create what they want to find' (Weick, 1995: 30)? By whatever method the series of interactions between M&S and its major suppliers had evolved, it seems that before 1999 the view that M&S had a special relationship with its suppliers was common currency. Therefore any manager operating for either M&S or one of its suppliers would be working with 'a set of people who share many beliefs, values, and assumptions that encourage them to make mutually reinforcing interpretations of their own acts and the acts of others' (Smircich and Stubbart, 1985: 727). These 'mutually reinforcing interpretations' being that both M&S and Baird believed there *was* an ongoing relationship between them.

However, such an interpretation leaves the question as to how to explain M&S's abrupt change of policy. Without doubt part of the answer lies with the 'corporate nervous breakdown' that M&S suffered in 1999 and which continued for some time. Evidence for this breakdown includes the public bickering between the board members in a company which had always in the past settled disputes 'within the family', and the appointment, by an epitome of Britishness which had previously always promoted from within, of an outsider who was a foreigner to chairman.

Furthermore in considering M&S's behaviour towards Baird, Kreps' views are of interest. He comments that a company's reputation will be based on the consistent application of a principle and that 'In order to protect its reputation for applying the principle in all cases, it will apply the principle even when its application might not be optimal in the short run' (Kreps 1996: 224). M&S's principle up until November 1999 was 'that once a major supplier to M&S always a supplier'. It recognized that it gained considerable commercial advantage from its relationships with its suppliers and it was proud (as were its individual managers) of its reputation with regard to this matter. Such was the strength of its reputation in this matter that it was easy for its supplier relationships to move 'from explicit trust to a habitual and confident state of *lack of conscious trust*' (Blois, 1999: 209). Yet, by ending its relationship with Baird, M&S must have recognized that it was signalling to all of its suppliers a change in its view of its relationships even though relationships had been seen as a central element of it past success.

Third, was Bairds' belief that it had a relationship with M&S the result of deceitful behaviour by M&S? Berger and Luckman comment: 'Frequently an ideology is taken on by a group because of specific theoretical elements that are conducive to its interests' (1966: 141). Certainly relationship marketing has almost become an ideology with writers such as Kotler asserting 'companies must move from a short-term transaction orientated goals to a long-term relationship building goal' (1992: 2). Yet it is difficult to believe that M&S publicly espoused the relationship marketing model while secretly embracing a vertical quasi-integration position. Indeed, at a practical level, it is inconceivable that M&S could have 'got away' with such a situation. M&S had dealt with many suppliers over many years – often decades. Therefore hundreds of M&S managers would have had to have taken part in a conspiracy to deceive their suppliers. Even ignoring the likelihood that enough M&S managers would have found this behaviour acceptable and that none would have whistle blown in some form, given the number of people involved and the length of the relationships, it is simply not tenable to suggest that a charade of relationship could have been maintained for so long. However, it is quite possible that both M&S and Baird managers allowed themselves to be taken in by the rhetoric of relationships and became complacent and permitted what are described as 'premise controls' (Perrow, 1986) to develop. These 'limit the search for alternatives, focus the definition of what is dangerous, and constrain expectations' (Weick, 1995: 115). Arguably, given the assumption that M&S had a secure future as a company, in the case of Baird this led to complacency about the future. This was not an unreasonable assumption, as the fall in pre-tax profit of £348 million in the six months to September 1998 was the first fall in profits that M&S had reported for thirty years.

Accepting the vertical quasi-integration interpretation of the interactions between M&S and Baird, to the exclusion of a relationship interpretation, makes M&S's dissolution of the relationship easier to explain. For example, firms regularly sell off and/or close down subsidiaries. Such actions, though clearly often very unfortunate for those employees who are affected by the decisions, are accepted as the workings of a competitive economic system. However, the reaction to M&S's termination of its links with Baird was far more extensive than with regard to many other business restructurings that have had far greater impact – at least in terms of the number of employees affected[1]. It included newspaper headlines such as 'Suppliers face shock waves of Baird axing'. This response was almost certainly partially because of the public perception that M&S did have a relationship with its suppliers.

Research and managerial implications

The alternative interpretations of the thirty year series of exchanges set out in this paper, together with the events of October 1999, have a number of implications for both researchers and managers.

Research implications

There are two major implications for research. The first is the need to recognize that in all but the smallest and/or most simple interactions between organizations several managers are likely to be involved. Then, as writers such as Ring and Van de Ven (1994) and Zaheer et al. (1998) have pointed out, account must be taken of the roles that individuals play in the evolution of relationships and the link between interpersonal behaviour and the nature of interorganizational behaviour. As Ring and Van de Ven argue, 'the institutionalisation of a relationship' (1994: 103) is a process that occurs over time and is a product of the social-psychological dynamics of interpersonal socialization and norm formation in which formality is progressively displaced by 'informal understandings and commitments' (Ring and Van de Ven, 1994: 103). Therefore collecting information about a B2B relationship from a single respondent in a firm can, at best, only provide a partial insight into the nature of that firm's relationships.

The second is that it must be questioned whether or not an observer can stipulate that a relationship exists when the exchange has been examined from the point of view of only one party to the exchange. Whereas it can argued that trust does not have to be reciprocal (Blois, 1999: 201), it is not possible for a relationship to lack a reciprocal element. Indeed the few definitions of relationships which do exist stress reciprocity or mutuality. Thus Hakansson and Snehota state: 'a relationship is a mutually orientated interaction between two reciprocally committed parties' (2002: 162). It follows that studies of relationships that only examine the views of one party can at best only provide a partial picture. More seriously, if one party, while managing the exchange with care, does not regard itself as committed to a relationship as the other party, then only examining the other party's views may mislead the observer as to the reality of the existence of a relationship.

The importance of both these issues is underlined by the disagreement between M&S and Baird as to whether or not the announcement in October 1999 that M&S would no longer purchase from Baird was indeed 'a bolt from the blue'. It would seem that the information that a change in their relationship was inevitable had been intimated by some M&S managers to those of Baird's management with whom they had regular contact, but had not to Baird's managing director. Thus while Baird's managing director believed that his company had an ongoing relationship with M&S, certainly some M&S managers were already signalling that the relationship was likely to be terminated.

Managerial implications

Hardin has remarked on the risks which arise when commentators, writing about inter-organizational activity, succumb to 'the easy analogy from individual to institutional issues that abstracts from institutional constraints' (1993: 511). In spite of this warning direct analogies between marriage and B2B relationships are often proposed (e.g. Dwyer et al., 1987). However, it is of value when considering the managerial implications of this case to *contrast* the relationship of marriage with the nature of business-to-business relationships.

Within a marriage (or indeed any close personal relationship) it is not normal for the parties to follow any of the following three policies:

1 To be regularly, even if infrequently, formally assessing the value of the relationship;
2 To be constantly monitoring alternative potential relationships; or,
3 To be calculating how divergent the partner's behaviour can be from the expected before the relationship will dissolve or be dissolved.

In personal relationships 'We inhabit a climate of trust as we inhabit an atmosphere and notice it as we notice air, only when it becomes scarce or polluted' (Baier, 1986: 234), and we do not sniff around to check whether there is a potential source of pollution. Yet, given the nature of business, it seems negligent not to do this. For example, a supplier must constantly evaluate the resources that it should commit to a customer so '1' is essential. Given the speed of change in modern markets any competent company should be monitoring alternative opportunities either as possible substitutes for existing customers or as potential additions to them[2], so '2' is also essential. Finally in business it is essential to think what, in personal relationships, may be 'the unthinkable'. Thus, while most people intuitively understand that it is damaging to a personal relationship to even consider the possibility that a partner might renege on the relationship, in the business world it is foolish not to think through the possible consequences of a range of situations that might be expected to fundamentally disrupt the relationship. Such situations might include, as in the M&S case, unexpectedly poor financial results, the change of a dominant chief executive, new government trade and/or tax policies, and so on.

There are numerous events that occur in the world of business that might constitute such situations and the M&S case is only one recent example of a high profile relationship being destroyed by one party. Strikingly this is illustrated by the behaviour of another company discussed in Lewis' book, namely Chrysler. In 1989 Chrysler made a loss of $664 million but in the first nine months of 1994 made $2.5 billion profit. Lewis indicates that a 'key to Chrysler's transformation was the conversion of its supply relationships into true partnerships' (1995: xx). However, in December 2000 Chrysler unilaterally imposed a 5% price cut on its suppliers, it being reported that: 'The loss-making carmaker told suppliers that it would reduce prices paid for service and materials from January 1, and seek a further 10% cut over the next two years' (Burt and Tait, 2000). Lewis had optimistically stated that Chrysler had made the greatest progress in moving away from the 'decades of hostility' (1995: xvi) between the auto companies and their suppliers. However, by 2000 Chrysler was back to adversarial relationships with its suppliers and thus a second of Lewis's four benchmark companies was no longer a benchmark.

In the M&S/Baird case what seems to have provoked M&S's decision to go back on its commitment to its suppliers was a corporate nervous breakdown that resulted from the simultaneous collapse of its profits and public confidence in its products. In the case of Chrysler it was only a collapse in its profits.

Conclusions

The significant growth in the interest in relationship marketing has many sources and has been espoused by managers, consultants and academics. It is noteworthy that the topic's vocabulary remains unclear even to the extent that there is no clear agreement as to what a relationship is. There are few empirical studies that conclusively demonstrate that being in a relationship is beneficial in terms of profitability (Kalwani and Narakesari [1995] being a noteworthy exception). There are many headline examples of companies who, having claimed to be committed to relationship marketing, act otherwise. In addition there are case studies, such as Charlestown Chemicals Inc. (HBS 9–590–024), which while they can be used as the basis of discussions of relationship marketing turn out to have teaching notes in which their authors explicitly consider the case to illustrate an issue of power.

Berger and Luckman comment: 'It is important to keep in mind that the objectivity of the institutional world, however massive it may appear to the individual, is a humanly produced, constructed objectivity' (1966: 78). Some people choose to believe in business-to-business relationships but possibly fail to recognize that 'to believe is to initiate actions capable of lending substance to the belief . . . Self-fulfilling prophecies need not be simply inadvertent by-products of expectation imposed unsystematically on the world. Instead . . . self-fulfilling prophecies become commonplace, deliberate tools when people focus on the future' (Weick, 1995: 133–4). However, a relationship is a construct that only works for either party when both parties' construction of reality is reasonably congruent.

As the M&S/Baird situation shows, each party in a relationship must at all times:

- Recognize that the successful partner in a B2B relationship convinces the other party 'that he or she has their interests at heart, yet at the same time pursues the company's agenda' (Tjosvold and Wong, 1994: 308);
- Temper their belief in the relationship by recognizing that it is contingent on the other party maintaining its belief that their interactions constitute a relationship and that, consequently, the relationship is a social construction of reality.

Notes

1 For example, it had a major impact on the complex network of suppliers to Baird and the other three major M&S suppliers. As such it would make an interesting study using the IMP perspective not least because of M&S's management of the network (as is illustrated by points 7, 8, 9, 14i and 16 in M&S's terms and conditions listed above).

2 Another limitation of the marriage analogy is that marriage is in most cultures monogamous. Yet a major managerial challenge is to successfully manage multiple relationships simultaneously.

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