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"Stress" in business relationships: a study on corporate bank services

João F. Proença and Luís M. de Castro
Faculty of Economics, University of Porto, Porto, Portugal

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Abstract

Purpose – The paper aims to discuss the interaction processes and short-term behaviours and motives in long-term relationships between banks and their corporate clients.

Design/methodology/approach – The discussion is based on findings from four Portuguese case studies. Interviews made to major actors on both sides of each relationship were transcribed and analysed to investigate the buyer-seller interaction process, and the interplay between the actors involved.

Findings – The paper contributes to knowledge concerning the nature of business banking relationships, provides insights about instability and stress therein, and suggests some factors that can generate or intensify that instability. Short-term irregularities and stress are found to arise in the context of relationships' longer-term continuity and stability.

Research limitations/implications – The irregularities found were endogenous to the relationships and originated from one of the actors or from the transaction. No exogenous factors were analysed and further research should be done about them. Some instability was found associated with clients keeping a portfolio of banking relationships, but the management of such portfolios is largely unstudied, begging for more work. It is also suggested that the present study be replicated in other countries and contexts for comparative analyses.

Practical implications – The paper provides a framework for corporate managers and bankers alike to better understand the process of banking relationships. It highlights some factors that should be monitored as they impact on buying behaviour and on the interplay between banks and firms.

Originality/value – The paper highlights some "stress" factors that can impact on buying behaviour and on the interplay between banks and firms, providing a new insight about the instability of business relationships in the banking business, and suggests some factors that can generate or intensify that instability.

Keywords Supply chain management, Banking, Relationship marketing, Business-to-business marketing, Portugal

Paper type Research paper

1. Introduction

The research about the behaviours of corporate customers of banking services and the relationship processes in banking contexts seems insufficient. This paper seeks to contribute to the literature by addressing some of the factors that affect such behaviours and the relationships themselves. We look at the buyer-seller interaction process, especially at the interplay between the actors involved in each dyadic relationship, i.e. banks and firms. The paper starts by presenting a brief review of the literature deemed relevant to introduce the topic: corporate banking relationships, business services purchasing and, finally, the IMP Group perspective on business relationships. Then, we present the results from a study of four relationships in

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corporate banking, looking at the behaviours of the firms and the banks. This research provides some insights about the instability of business relationships in the banking service business, and suggests some factors that can generate or intensify that instability. The paper seeks to contribute to knowledge about the behaviours involved in buying and selling business services and in particular to the literature concerning the nature of business relationships on a banking context. Further, the paper provides a framework for corporate managers and bankers alike to better understand the process of these relationships. More precisely, it highlights some factors that can have an impact on buying behaviour and on the interplay between banks and firms.

Sections 2 to 4 review the context for the study and the relevant literature. Section 5 gives a description of the research method. The research findings are presented on section 6. The paper concludes with a discussion of the findings, and their managerial and research implications.

2. Corporate banking relationships

Various authors emphasised the rapidly changing competitive environment involving the banking industry throughout the world. Due to such changes, many commercial banks placed an increasing emphasis on establishing and maintaining relationships with their customers (Trethowan and Scullion, 1997; Crane and Eccles, 1993; Perrien *et al.*, 1992, 1993; Ennew *et al.*, 1990). It is also considered that the relationship paradigm (Grönroos, 1994) has influenced the behaviour of financial services organizations.

Turnbull and Gibbs (1987) highlighted the importance of relationships in corporate banking and Eccles and Crane (1988) contended that relationship management was a common and important integrating device in investment banking. Recently, Horne *et al.* (2000) studied triadic relationships in financial services markets and Tyler and Stanley (2002) argued that relationships are relevant, indeed inherent, to the over-the-counter derivatives market.

Perrien *et al.* (1992) made a critical analysis of relationships in banking and gave us some insights about customers' and account managers' perceptions on problems facing the relationships. According to them, the relationships are affected by the turnover of account managers[1], their limited authority and the banks' credit norms, organization and structure. Madill *et al.* (2002) presented consistent data from more than 3,000 interviews made in Canadian SME's that show how SME satisfaction is affected by the account manager's management of the bank/SME relationship, the branch staff's management and the bank's policies regarding bank/SME relationship. These insights concern the management of the relationship (mostly, by the bank), and consider the relationship itself as a new marketing mix variable or a new strategic issue for banks. This managerial view of relationships by the banks has been highlighted in the literature[2]. Ennew and Binks (1996), for instance, consider the development of effective "customer" relationships as a key element of marketing strategies in the service sector.

The role and the positive (or negative) effects of personal contacts on relationship development were dealt with in different business contexts (Halinen and Salmi, 2001; Halinen and Törnroos, 1998; Cunningham and Turnbull, 1982). Adler and Adler (1984), Abolafia (1996) and Tyler and Stanley (2001) looked at social issues in financial

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markets. Adler and Adler (1984) described financial markets as "social arenas" where individuals interact.

We contend that significant insights about the nature and workings of the banking relationship can be gained by using the IMP group approach to study business relationships. This argument is elaborated in Section 4. Both Thunman (1992) and later Proença and de Castro (1999, 2000a, b) took the IMP approach to study relationships in banking. Thunman (1992) argued that banking decisions should not be regarded as discrete issues, where a firm evaluates the attractiveness of suppliers' marketing mix variables, but rather as sequences of events occurring in the context of a growing commitment between identified clients and banks as in other industries (Thunman, (1992, pp. 15-16). Proença and de Castro (1999) argued that the customer-bank relationship is sustained by the atmosphere of the relationship itself and by different bonding dimensions that were seen to be of different types and strength. Proença and de Castro (2000a) applied the business network framework to banking relationships and claimed that these relationships include a variety of financial services supplied by financial corporations associated to the banks that should be considered in the context of each banking relationship thus taken as a whole.

Proença and de Castro (2000b) also suggested that, despite long lasting relationships in banking not being a recent phenomenon, most theoretical frameworks have understood the behaviour of banking actors as if they were discrete episodes, or one off transactions, somehow isolated in time. When such episodes are analysed in isolation (both in time and from one another, i.e. outside the relationship context where they took place), some aspects derived from economic theory like transaction cost and opportunism tend to be stressed, at the expense of other aspects which appear to be also important determinants of actors' behaviour. Literature appears to have neglected the continuity of banking relationships in time and emphasised instead short-term episodes, like transactions. In reality, business exchanges between banks and their corporate clients have been, for a long time, long-lasting dynamic processes, tacitly understood as such by the parties involved in them. In retrospect, it seems that such processes might have been conceptualised with reference to the conceptual constructs of business relationship theories. However, for a long time, banks, their corporate clients, and analysts alike, seem to have been "rationally" quite unaware of the relationship content of recurrent business banking transactions. Theorists also emphasised "transaction banking", despite relationships having been there for long. The cases analysed by Proença and de Castro (2000b) suggest that continuity in time is a structural characteristic of banking relationships. However, such continuity does not mean that banking relationships are static. Quite on the contrary, they show their own dynamics. This paper discusses such dynamics and analyses the interactive processes and the actors' behaviours in banking relationships over short time periods. Before, we need to review some literature about the interaction process in services relationships.

3. Buying business services

Axelsson and Wynstra (2002) discuss the interaction process between buyers and sellers in a service context. They describe the behaviour of the actors in terms of the alternatives they consider, the type and the amount of resources they commit, the nature of their business and their buying group. Further, these authors argue that there

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should be a link between the content aspects of firms' buying behaviour in any one transaction and their purchasing strategy or behaviour in the long run. According to them, in long-run behaviour, the actor's position regarding "competition" or "collaboration" orientation is paramount and the recent debate in the area of purchasing and supply management highlighted two opposite forms of purchasing over a continuum: transaction and relation behaviour philosophies (Axelsson and Wynstra, 2002, pp. 214). On the one end of the continuum are the transaction oriented firms, which consider many alternatives for renewal and effectiveness by changing of partner. Every deal is a new deal, or dealt with as such, and the firm hardly benefits from its past experiences. Here, the potential for competition is exploited, and the short term is highlighted. These firms avoid closeness to other companies, keep counterparts at arm's length, carry on searching for the most efficient supplier and their purchases are price oriented.

On the other extreme is the relational orientation, which can also be found in business services purchasing. Firms in this situation tend to consider one or a few buying alternatives, take each deal as part of an ongoing or new relationship, and the relationship as part of a network context. The firm exploits the potential of cooperation on the long term, and the renewal and effectiveness by collaboration, combining resources and knowledge. These firms buy capabilities and are cost and value oriented, achieving low costs of supply and developing new values (Axelsson and Wynstra, 2002, pp. 214). We should point out that over the last two decades, a large number of studies of customer-supplier relationships have been undertaken, namely in industrial context. According to Araujo *et al.* (2004) these works show that buying firms need to abandon the transaction-oriented approach to be able to fully utilise suppliers and exploit the potential residing in the rationalization and development roles. For instance, for Gadde and Håkansson (2001), the main issue in strategic purchasing is how to develop appropriate levels of involvement with suppliers, because increasing involvement is both a precondition for relationship benefits, and a source of relationships cost.

In section 2, we contended that in banking service business, buying is not (only) a matter of handling individual purchasing processes or transactions. Rather, purchasing bank products and services is a continuous interactive deal on time between the bank and the firm covering a "non-ending" string of transactions. Some bank services are contracted at a certain point in time but, usually, banking business is done for periods lasting several years and it requires a continuous interaction between the parts involved. We have good examples of these interaction processes in other service fields, namely on insurance or advertising services (Halinen, 1994; Axelsson and Wynstra, 2002). We agree with these authors in that the nature of the service being exchanged affects the relationship. Nevertheless, we think that in business-to-business contexts these interactions are often enduring and follow a long-term process similar to those described by the IMP Group of researchers mostly for manufacturing, supply chains and distribution.

4. The IMP perspective of business relationships

The work of the IMP group on industrial international markets emphasised the description and understanding of complex interaction phenomena and led to the development of the Interaction Approach (Håkansson, 1982) and the Network

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Approach (Axelsson and Easton, 1992). According to IMP scholars, events can only be understood in their social, cultural, and historical context. The interests of buyers and sellers in industrial markets are often convergent and each firm may be dependent on resources held by another one (Håkansson and Snehota, 1995). A long-lasting relationship tends to develop as a risk reduction strategy, and as recognition of mutual dependence. Industrial marketing and purchasing is a complex mix of exchange processes and adaptive behaviour of firms. This takes place through organisational interactions, not only between firms but also between individuals from a variety of functional departments and hierarchical levels of both buyer and supplier (Ford, 2002).

Research concerning the behaviour of firms in services purchases is scarce, particularly in banking. We think that the IMP group approach can be helpful as a theoretical framework for a better description and understanding of business-to-business market dynamics not only in industrial but also in services markets, as is the case of financial services. Thus, this paper discusses the process of relationships in corporate banking taking the IMP group approach. We will try to understand some factors or conditions that may affect the interaction process between the firms and the banks, and their behaviour. Starting from the volume of trade involved in banking relationships, we will analyse the stability and instability of business in each relationship, and will try to understand the behaviour of the actors regarding the amount of business, the interplay and the contacts between them.

The research will provide some insights on instability of business relationships in the banking service, and will suggest some factors that can generate or intensify the instability on these relationships. More precisely, we will try to show some factors that can have an impact on buying behaviour and on the interplay between the banks and the firms. The next sections present the research method and the research findings.

5. The research method

Four case studies about relationships between banks and corporate clients were researched in Portugal. The case study method (Yin, 2003) was chosen to allow an encompassing view of the dynamics of business banking relationships and try to capture all the interplay and the banks and the firms' behaviour.

Three of the four largest Portuguese commercial banks were selected in order to involve in the study the biggest Portuguese commercial banks. They were selected according to their availability for the case study research, including their openness to help us select corporate customer relationships for our study, and according to our criteria. Thus, the banks helped us to select relationships with four industrial or commercial firms: a producer of cabling for the automotive industry, a textile industrial firm, a petrol-refining company and an automobile manufacturer firm. These corporate clients were selected according to short duration irregularities in the trade volume of the banking business.

The case studies were conducted following the multiple case analyses suggested by Yin. First, we tried to understand the history of each relationship, interviewing the two sides of each relationship and not giving any privilege to either side. Second, we analysed the evolution of the volume of trade during the history of the relationship. Third, we have investigated the whole of each relationship. For instance, we looked at the connected relationships with other organisations, namely other competitors' banks, clients' of the corporate customer or financial firms linked to the focal bank. It means

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that the context was looked at, rather than formal boundaries between the interacting parties.

We tried to interview all the representative actors from both interacting parties in each case. We interviewed the bank managers, the key-account managers and the directors of the financial firms linked to bank and involved in the relationship (for instance, one top manager of a leasing company involved on one relationships). On the customer side of each case we interviewed the financial corporate managers. In total, 12 interviews were made following the method of personal, in-depth interviews, in order to gain insights into issues perceived as relevant by all parties. The interviews involved open-ended, semi-structured and structured questions, and lasted more than two hours each, were tape-recorded and transcribed. We also acquired some documentary material concerning each side of the relationships and related to the relationships themselves.

To analyse the cases, we confronted and triangulated the data, trying to understand and to illustrate how different combinations of causal factors may give rise to different results, how other causal factors, combined in a certain way may originate similar results and/or how the same causal factors, combined otherwise, can produce different results. This analysis and comparison allowed us to examine some similarities and some differences between circumstances, situations and relevant examples, trying to obtain the multiplicity of causes that can explain any fact.

6. Major results

6. 1. The Portuguese banking system

The recent history of Portuguese banking industry. First, we would like to give a brief overview of the Portuguese banking system to provide a context for those readers not familiar with it. The Portuguese financial system (and banks in particular) changed radically in the last 30 years. After the Portuguese revolution in 1974 and up to the middle 1980s, the Portuguese financial systems encompassed a small number of state owned banks that performed the functions of collecting financial resources from savers and financing economic agents. Competition was practically nil. The banks were forced to maintain excess liquidity and to support firms for political and social reasons, which gave rise to generalized inefficiency in the financial sector (Proença, 1992). In 1985, the Portuguese financial market was liberalized and open to private initiative and competition. Conditions were created which allowed the development of a competitive commercial banking sector and the creation of some financial conglomerates. First, during the eighties, the number of banks operating in Portugal almost doubled and new kinds of institutions were created (factoring societies, venture capital societies, financial societies for purchases on credit, societies for new ventures, societies to manage pension funds, societies to manage investment funds, societies to manage fortunes, brokers societies, financial brokerage societies, etc., see Proença, 1992). These new financial corporate structures emerged parallel to banks and, resulted in "externalization" of several banking activities but, in the majority of cases, these companies were connected to a financial group headed by the commercial bank. After the year 2000, this has been compounded by a wave of mergers and acquisitions. Nowadays, the banks present in this study have independent financial service firms, dominated by them, which are articulated in multi-polar groups made up of diversified units.

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The relationship marketing approach in Portuguese banking. By the end of the 1980s and the early 1990s, banks started a new approach towards their more important clients based on banking relationships. The new approach to the market could be compared to the more traditional vision of transaction marketing (Grönroos, 1994) or to transaction banking (Proença and de Castro, 2000a). By that time the commercial structures of some banks introduced the figures of account manager or client manager, with remarkable success. This was an incipient means for developing relationships with clients. Initially, the top managers of Portuguese banks considered relationships as an attempt to personalize their services. They expected that new function would allow their clients an easy access to a qualified counterpart capable of answering efficiently all their questions relative to the bank's products or services and creating a climate characterized by intimacy and professionalism, which might not be achieved otherwise. In their opinion, the account manager was also a link to products and services supplied to clients by financial firms associated to the bank (e.g. factoring societies, leasing societies, insurance companies, etc.), which allowed the development of the cross-selling of financial products. More recently, several CRM tools were also introduced by Portuguese banks as a means to develop their relationship marketing policies. Besides, most banks developed new links with their clients via the web. This increased the diversity of their means of contact and their nearness to their clients and therefore changed the nature of their relationship marketing, regarding some segments of the market.

6.2. The corporate banking relationships: the long time period perspective vs. the short periods of time and stable vs. unstable relationships

According to the methodology adopted, corporate banking relationships were considered to be stable when they showed regular volumes of trade over time, which typically evolved in the line with the client's turnover. If, on the contrary, large variations in the values of trade were found throughout time, then the relationship was understood to be unstable. Further, periods of analysis were considered to be short time periods when they were contained within one calendar year. They were considered long time periods, when the analyses covered the whole duration of the relationship. Data were corrected for seasonal impact of the client turnover on the volume of trade of the banking relationship.

All four researched relationships are old (in one case, the banking relationship is so old that none of the people involved knew its age). Over long time periods, i.e. when the analyses covered the whole duration of the relationships, the volumes of trade in each relationship, were either regular or followed the evolution of the turnovers of the client firms. Nevertheless, all four researched relationships showed variations in their volume of trade over short periods of time, i.e. when they were analysed within one calendar year. The relevant information about all four cases, relative to the analysis of the instability of the relationships over short periods of time can be summarised in the next section.

6.3. The cases

Case "SAL". This was a ten-year relationship. There were six people interacting in this relationship: two from the client side and four from the bank, which included one from a leasing firm related to the bank. The deals between the client and the bank were

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formalized in writing, but sometimes they were agreed by phone (they were confirmed later on the web or by letter, fax or mail), which was facilitated by the organisational and social links between the main actors of the relationship. This has been a stable relationship over the long time period and we could find a climate of trust between the client and the bank, despite some conflict episodes.

In short time periods, there were reductions in the Bank's share on the Client's volume of banking trade. This was due to the Bank finding its involvement in this client as "somewhat too large". Whenever the bank perceived a high involvement and economic risk on the relationship, it transferred some of the business that it normally did with this client to financial companies to which it was related by capital linkages, e.g. factoring and leasing companies, in order to share the risk. This did not impact badly on the client or on the relationship itself. At the end of the day the deal are done. It did not matter that it was redirected, because it benefited from the same relationship atmosphere, which seemed to reinforce the relationship in the long run.

Case "REN". This was a six-year relationship. There were 18 people interacting in this relationship, eight from the client side and ten from the bank side. Two people from the client side were from its "mother" firm, which was a multinational corporation. On the bank side, there were four people from four firms, related to the bank, working on pension funds, investment banking, consumer credit and, insurance. Because of this net of interacting people and firms, this relationship is an illustrative case of internal networks, which characterised corporate banking relationships (Proença and de Castro, 2000a). This relationship was characterised by a climate of trust and cooperation between the client and the bank, despite some episodes of conflict. There were important personal and knowledge links between the parts and a written agreement, which specified most of the cost and the services operated and set types of transactions and prices.

This was a stable relationship over the long time period. However, there were moments of some instability associated to the rotation of personnel, which are the relationship "face" on the bank side. This bank pursued an internal policy of rotating its personnel around diverse functions. As a consequence the bank's representatives before the client changed often and this interfered with the relationship. The "initial" phase with a new counterpart is usually difficult. This does not mean that the new bank staff is either better or worse than the previous ones. They are just unknown to their counterparts from the clients. The absence of personal connections or acquaintance between the major individual actors in the relationship jeopardises some transactions and consequently it generates some instability. Nevertheless, this does not jeopardise the relationship, which after a while becomes stable again.

Case "C&C". This was a seven-year relationship with eight people interacting, from from each side. Again, this has been a stable relationship over a long period, but it showed cyclical periods of irregularity. The relationship was unstable for a while but when the client went through a period of financial hardship, when the bank refused it some transactions due to the risk perceived but regained stability when this was past. Afterwards, the relationship showed significant fluctuations in the values traded while maintaining stable annual values. The short-term irregularities were due to the client's negotiating behaviour. The client closed its deals with the focal bank or any one of its competitors by giving special consideration to the cost of each transaction. In this

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sense, the impact of any fluctuations in the client's volume of trade could be unevenly distributed across its various banking relationships.

The client firm was perceived to manage its banking relationships in a somewhat opportunistic manner, and to put pressure on its banks (or bank branches) by suddenly transferring its financial movements from one to another for the sake of cost reductions. Nevertheless, its annual average volume of trade within the focal relationship was rather stable year in year out. The products and financial services involved in the relationship were standardized and there was a climate of openness and trust and social links between the parties, despite the strong and the constant commercial negotiations that we found.

Case "PAT". This was a very old relationship, more than 20 years old (the relationships was so old that nobody knew exactly its age). Due the amount of work, there were about 25 people interacting in this relationship: eight from the client side and 17 from the bank side. There was an agreement that defined the economic condition for short time operations, but the medium and long-term operations were dealt with case by case. Most of the deals were formalized by fax.

This was also a stable relationship over a long time period, but showing irregular cycles. Short time irregularities were associated with the cyclically interlocutors changing on the bank side and to the client firm's strong negotiating power and its behaviour, very much centred on the cost of specific transactions. The bank, on its part, avoided taking an excessive amount of risk with this client. Further, the client was unusually large for Portuguese standards. This gave it an exceptional bargaining power when it pressurised for cost reductions. Its pressure was enough to induce instability on its banking relationships. Normally, one or another of its banks gave in to pressure, offered a best quote and gained the business. Nevertheless, the values involved in the focal banking relationship were stable on an annual basis, despite sharp short-term oscillations.

7. Discussion

7.1. The relationship stress

The data reported suggests that banking relationships tend to be stable for time horizons longer than one year. Also, the volume of trade involved on each of the relationships studied was either stable or closely related to the turnovers of the client firms. However, when analysing periods of time shorter than one year, all cases showed instability. This suggests that short term irregularity may be a characteristic of banking relationships, alongside with continuity, which was discussed in Proença and de Castro (2000b). Figure 1 illustrates the points just-made. It should be mentioned that these results are in agreement with those obtained by Gadde and Mattsson (1987) and Holmlund-Rytkönen and Strandvik (2005). The first authors have concluded on a longitudinal study of business relationships that long-term stability may conceal local disquiet and short duration irregularities. The second ones show that some incidents can impact and decrease the strength of relationships.

On the cases researched, the irregularities in the volumes of banking trade in the short term were found to be mostly due to factors endogenous to the relationship, some of which originated in the bank, others in the client, and others in the transactions themselves. There may be occasions when one or various factors can interfere on the relationship, thereby causing instability: financial hardship of the client firm (case

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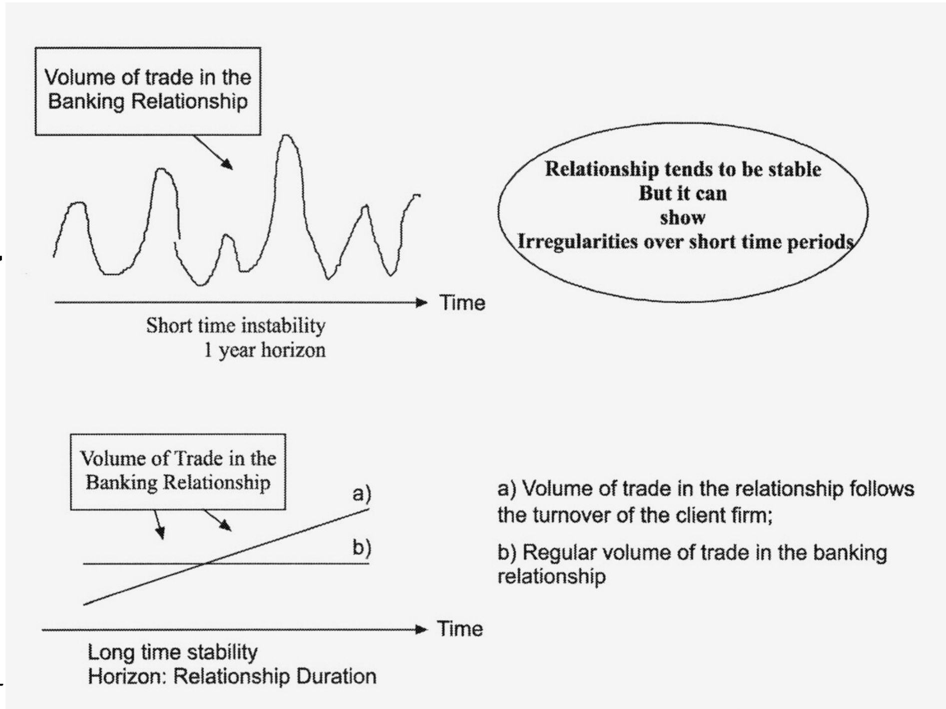

Figure 1.
Stability/instability in banking relationships

C&C), the financial risk perceived or assessed by the bank either on the relationship or on some of its transactions (cases SAL, C&C, and PAT), the introduction of new counterparts in the relationship or personnel rotation by the bank (case REN and PAT), the cost of some transactions (cases C&C and PAT), and, finally the behaviour and the negotiating power of the client firm (cases C&C and PAT), see Figure 2.

These examples illustrate various contact patterns that can arise in corporate banking relationships as a consequence of the financial services characteristics, the nature of the exchange, the organization behaviour and its nature, and the power in each relationship side or the economic and financial situation of the client firm, etc. For instance, the characteristics of the financial services traded or the characteristics of the transaction itself may have an effect on the interaction and the pattern of information exchanged. Financing a "solid" firm in a risk operation, namely, selling to risky external markets may originate more questions to be discussed and may need more personnel interactions. All this creates problems and opportunities in the relationship, which may originate relationship stress. Relationship stress could be conceptualized as periods or moments of tension between parts on the business relationship impacting on its atmosphere. Following Axelsson and Wynstra (2002) we argue that corporate banking relationships are not just a matter of "relationships" and "interaction". They are also a matter of patterns of interaction and of managers perceptions and attitudes that translate on their understanding and handling of these relationships and interactions. For one reason or another, the actors involved in a relationship may not close a deal but they will end up finishing another one and, in general, not completing a limited number of transactions does not jeopardise the relationship.

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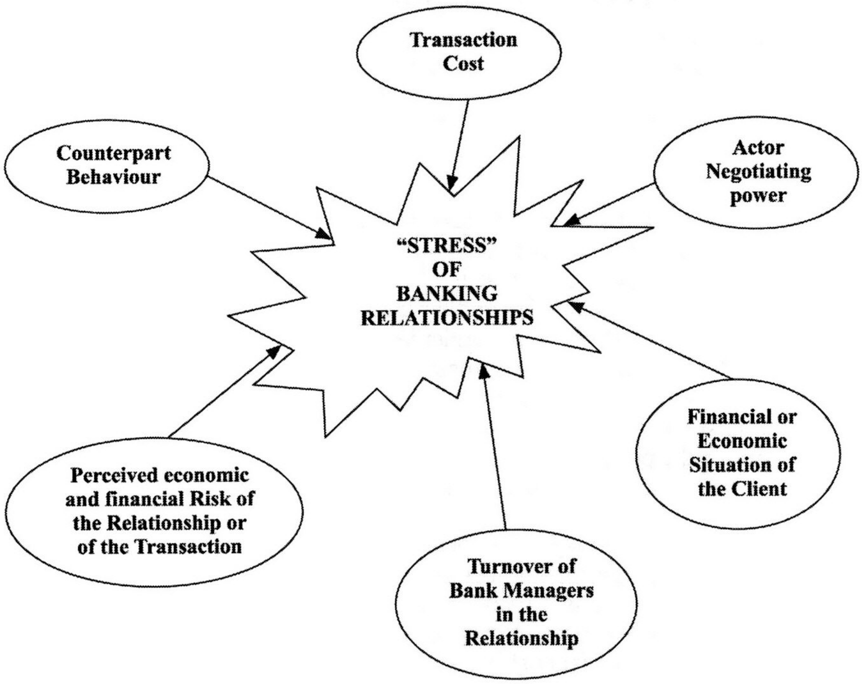

Figure 2.
"Stress" in corporate banking relationships

7.2. Relationships stress and relationships portfolios

In the cases researched, the stability of banking relationships is a characteristic that comes in association with their longevity and co-exists with short-term irregularities that can last. However, they should be looked at from a long-term point of view where punctual episodes can dilute. The stressed relationship can illustrate that there are relationships built on being able to exploit as much as possible the advantages of a transaction-centred view of purchasing combined, with those of the relation-oriented view. This is because some business, services or circumstances may benefit more from a transactional approach, while others benefit from a relational approach. This may suggest that it can be interesting for a client to take its banking relationships as a portfolio to be managed according to circumstances. The client should be able to find what philosophy (transaction or relation-oriented) would be the most suitable in one moment for what counterparts. Following Easton and Araujo (1986) and Holmlund-Rytkonen and Strandvik (2005), we can also argue that the bonds between the client firms and the banks can stand and live with relationship stress for long periods, sometimes resulting from hardship experiences or contextual factors.

Nevertheless, the counterpart's reaction depends always on its perception and behaviour. Some stress on the relationship can be endured, but too much can increase transaction costs and take time to pacify and hopefully recover trust. This atmosphere can be problematic when opportunities arise, which are not compatible with the stressed relationship. Naudé and *et al.* (2002) show that problematic relationships may not always be failures and successful relationships are not always easy to manage. Gadde and Snehota (2000) mention that a paradox of a relationship is that it gives

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momentum for development but may also restrain development. This depends much on the situation and on the availability of alternative partners, in face of stress, when managing relationship portfolios. Still, according to Gadde and Snehota (2000) the success by one side to control a relationship may hinder relationship development and innovativeness with consequences for the relationship itself and for the net of relations where it is embedded.

8. Managerial implications and future research

The issues impacting on banking relationships have been insufficiently studied. Therefore, the results from the present study, although hardly unexpected, seem relevant both for financial managers and for bank officers, and researchers, inasmuch as they expose the motives that underlie the short-term variability in these relationships, which can be a source of some durable stress for officers of both its sides, as they fight to meet their own short-term targets.

A good understanding of the variables from which short-term instability ensues can be very useful for the people involved. The understanding of the banks' behaviour in the context of the banking relationship and the management of the clients' multiple relationships with various banks allows both parts to face and live through the inevitable stress periods. It may allow them to better decide whether to "intervene" in order to "pacify" the relationship, or just to let fluctuations die out by avoiding further causes for short attrition. The "stress" in banking relationships studied tends to be temporary, although not ephemeral, and should be treated as such, once it is not seen as putting in jeopardy the relationship itself and the trade involved. This is not to say that attrition and stress does not add to transaction costs by increasing the effort and attention put on transactions by people from both sides. Still, it may also keep pressure on the counterpart and disencourage complacency.

Further, this research contributes to the growing body of literature about how relationships can be managed. Gadde and Mattsson (1987) dealt with the problem of momentary instability and irregularity. However, little or nil empirical evidence has been provided for banking. The irregularities found in the present study are endogenous to the relationships, as they originate either with one of actors or with the transactions. No exogenous factors were analysed in the study reported here. However, rivalry in the market, for instance, is likely to induce instability in relationships. Therefore, it is suggested that further research be done about exogenous factors that may affect on banking relationships stability.

Most research about banking relationships has ignored the interactive nature of relationships, by favouring the perspective of one of the sides involved. The present study shows that both the bank and the client firm interfere in the dynamics of the relationship by their behaviours and their policies. Despite some instability being associated to clients keeping a portfolio of banking relationships, the management of such portfolios is hardly dealt with in literature, and was barely touched in this research, begging for more work. It is also suggested that the present study be replicated in other countries and contexts for comparative purposes.

9. Conclusion

This paper discussed the dynamics and the short-term irregularities that arise in banking relationships, despite their continuity and stability. The irregularities detected

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can be conceptualised as "stress in banking relationships". The causes for irregularity were analysed and it was found that, in all cases studied, the factors for such "stress" were endogenous to the relationship. Some of these were internal to the client, namely its financial situation and perspectives, its power and trading behaviour. Others were internal to the bank, like its policy relative to the perceived financial risk of its client firms and the relationships with them, and its personnel rotation policies. Finally, others had to do with specific transactions, e.g. their cost and financial risk. These factors interact with each other, and show up both together and in isolation in different points in time. Besides, not all factors are present all the time and they may show different forms and intensities. Finally, it should be mentioned that other variables may exist which would not be detected in the cases studies but, hopefully, further studies will reveal.

Notes

1. Relationship marketing requires personalized interactive process between account managers and customers... and the knowledge of the customer, his needs, characteristics are a perquisite to such an interaction..." (Perrien *et al.*, 1992, p. 27).
2. For a recent review of literature on marketing of financial services to businesses, see Tyler and Stanley (1999).

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