

# Buyer attractiveness as a catalyst for buyer–supplier relationship development☆



Hannu Makkonen<sup>a,\*</sup>, Mervi Vuori<sup>b</sup>, Miia Puranen<sup>c</sup>

<sup>a</sup> Department of Marketing and International Business, Turku School of Economics, University of Turku, Finland

<sup>b</sup> School of Science, Department of Industrial Engineering and Management, Aalto University, P.O. Box 15500, FI-00076 AALTO, Finland

<sup>c</sup> Boulevardi 50 B 46, 00120 Helsinki, Finland

## ARTICLE INFO

### Article history:

Received 1 October 2014

Received in revised form 1 September 2015

Accepted 1 September 2015

Available online 21 October 2015

### Keywords:

Buyer attractiveness

Attraction

Business relationship development

Supplier attractiveness

Supplier value

## ABSTRACT

The concept of buyer attractiveness has received increasing scholarly attention in the recent business marketing literature, yet empirical studies of the dynamics between buyer and supplier attractiveness and their implications for relationship development are scarce. The research framework presented in this study suggests that buyer attractiveness is connected, first, to supplier's experienced and expected business outcomes within the focal relationship, and second, to the leverage impact of the focal relationship on supplier's other relationships. A qualitative case study of two buyers and their key suppliers scrutinizes the dimensions of attractiveness associated with relationship development. The findings indicate that attractiveness and adaptations performed by the buyer and the supplier are interlinked in a mutually reinforcing or deteriorating manner, forming a mechanism that catalyzes relationship development. These findings and the resultant empirically grounded framework provide a conceptualization and enhanced understanding of the dynamics between attractiveness, adaptations and relationship development.

© 2015 Elsevier Inc. All rights reserved.

## 1. Introduction

Recent studies describe buyer attractiveness as a buyer's interaction strategy that aims to increase supplier dedication to the buyer in relation to supplier's other customers (see Tóth, Thiesbrummel, Henneberg, & Naudé, 2014; Hald, Cordón, & Vollmann, 2009; Schiele, Calvi, & Gibbert, 2012; Ramsay & Wagner, 2009). In this respect, the research on buyer attractiveness encompasses the buyer, the supplier, their mutual relationship and its outcomes, as well as the other available relationships of the supplier and their relative performance (Schiele et al., 2012). Since buyer attractiveness is a broad and emerging research area, the extant literature (see Harris, O'Malley, & Patterson, 2003; Ramsay & Wagner, 2009; Hald et al., 2009; Hüttinger, Schiele, & Veldman, 2012; Smals & Smits, 2012; La Rocca, Caruana, & Snehota, 2012) has yet to provide a consistent definition of and thorough investigation into the concept from both sides of the dyad (c.f. Mortensen, 2012). Furthermore, the link between supplier and buyer attractiveness in the context of relationship development needs further elaboration

(see Tanskanen & Aminoff, 2015; Nieminen, 2011). By adopting a dyadic approach to buyer attractiveness, the purpose of the paper is to 1) delineate buyer attractiveness dimensions, 2) explore the connection between buyer and supplier attractiveness, and 3) provide an empirically grounded framework of buyer attractiveness as a catalyst for relationship development.

The empirical part of the paper presents case analyses on the attractiveness of two buyers from the perspective of their key suppliers, and the activities conducted by these parties to develop their mutual relationship. The first case study analyzes the relationships between NOKIA Smart Phones (NOKIA) and its four key R&D suppliers in the smart phones business sector. Products and supply chains in mobile device markets are increasingly complex; therefore, buyer companies, such as NOKIA, focus on their core competences, which include the design, final assembly, and marketing of their end products (see Ali-Yrkkö, Rouvinen, Seppälä, & Ylä-Anttila, 2011). Consequently, the supplier ecosystem plays a significant role in innovating, creating, manufacturing and delivering unique components, such as processors, memories, displays and cameras (Ali-Yrkkö, Rouvinen, Seppälä, & Ylä-Anttila, 2011). The second case study analyzes the relationships between a European electricity distribution company, POWERHOUSE, and its nine key suppliers. These functions comprise a critical part of the electricity distribution business where interruptions are unacceptable. In both cases, buyer attractiveness and the related status of being a preferred customer are extremely important (see e.g., Smals & Smits, 2012).

The findings emphasize the relational and multifaceted nature of buyer attractiveness. Consequently, it is suggested that buyer

☆ The authors wish to thank the anonymous reviewers for the constructive comments. The study is a part of Ethics in Business Relationships and Networks research project at the University of Turku and research program REBUS at FIMECC (Finnish Metals and Engineering Competence Cluster). REBUS is funded by the Finnish Funding Agency for Technology and Innovation (Tekes).

\* Corresponding author at: Turku School of Economics, University of Turku, FI-20014, Finland.

E-mail addresses: hannu.makkonen@utu.fi (H. Makkonen), mervi.vuori@aalto.fi (M. Vuori), miia.puranen@cappgemini.com (M. Puranen).

attractiveness is connected, first, to supplier experienced and expected business outcomes within the focal relationship and, second, to the leverage impact of the focal relationship on supplier's other relationships in order to realize business outcomes elsewhere. The described *virtuous circle* of 'buyer attractiveness–supplier adaptation–supplier attractiveness–buyer adaptation' interplays with relationship development, thus representing a mechanism through which relationship development can be described and understood. In particular, the findings reveal dynamics between the elements that underpin attractiveness and the development of buyer–supplier relationships.

The paper is organized as follows. First, the relevant literature streams on attractiveness are reviewed and a research framework to serve the empirical study is synthesized. Case selection, data collection and analysis principles are discussed in the methodology section. The case study findings are presented and discussed, and an empirically grounded model of buyer attractiveness as a catalyst for relationship development is introduced. Finally, the implications for theory and managerial practice and suggestions for further research are provided.

## 2. Theoretical background

### 2.1. The relevant perspectives on buyer attractiveness

A recent literature review on attraction/attractiveness (Mortensen, 2012) divides research on business marketing and purchasing into three areas: 1) attraction in the development of buyer–supplier relationships, 2) buyer attractiveness to suppliers, and 3) attractiveness in portfolio and key account management. This section discusses the main features of these research streams that comprise the meta-dimensions for a holistic research framework on buyer attractiveness with regard to business relationship development.

Relationship development-related studies link attraction with concepts such as perceived or expected rewards and benefits (see e.g., Dwyer, Schurr, & Oh, 1987; Halinen, 1997; Harris et al., 2003) and value (Wilkinson, Young, & Freytag, 2005; Hald et al., 2009). These studies encompass tangible and intangible and also economic and social entities as sources of rewards, costs and value that drive the emergence of attraction. Here, attraction is regarded as a perception of the ability and likelihood of one party to contribute to the other's business in a mutual relationship. Dwyer et al. (1987) emphasize past *experienced outcomes* gained in mutual interaction and the relative performance of the current relationship with regard to other potential relationships and actors (see also Hald et al., 2009). In addition to past outcomes and performance, Halinen (1997) and Harris et al. (2003) adopt a more dynamic perspective by placing an explicit emphasis on the relationship's potential future and its *expected outcomes*.

Buyer attractiveness to suppliers, the second stream of literature, presents attractiveness as a buyer's marketing/interaction strategy that aims to increase supplier dedication to the buyer in relation to the supplier's other customers. Here, attractiveness is linked with concepts such as supplier satisfaction and preferred customer status (Schiele et al., 2012), and the supplier's direct and indirect value (see Smals & Smits, 2012). Supplier satisfaction and value, and the preferred customer status are considered the intended outcomes of a buyer's actions when trying to build attractiveness in the eyes of the supplier (see Schiele et al., 2012; Hüttinger et al., 2012).

While the literature on attraction in the development of buyer–supplier relationships links attraction with intra-relationship elements, the buyer attractiveness literature adopts a more outward-oriented perspective in its explicit and inherent focus on the supplier's other relationships. Buyer attractiveness literature is faithful to the social exchange theory (Thibaut & Kelley, 1959) in focusing on available alternatives for suppliers, with regard to buyers that compete for the same supplier's resources. In this respect, buyer attractiveness and supplier satisfaction are not only dependent on factors endogenous to the relationship but also on exogenous factors relating to the availability and

attractiveness of the supplier's other customers. In other words, this implies that, despite supplier dissatisfaction concerning the outcomes of the relationship and its future potential, a relationship might continue if the supplier's alternatives are even worse or non-existent (see Schiele et al., 2012). The supplier's other relationships also link with buyer attractiveness in terms of the *leverage impact of the focal relationship* (see Fiocca, 1982; Smals & Smits, 2012; Christiansen & Maltz, 2002; Walter, Ritter, & Gemünden, 2001). The leverage impact refers to the focal relationship's ability to provide market access, information, knowledge, or proof of concept, for example, in order to facilitate the supplier's business in its other relationships. Thus, the leverage impact increases the focal buyer's attractiveness.

The third literature stream, attractiveness in portfolio and key account management, regards attractiveness as a composite of current and future business outcomes relating to a business actor as a collaborator. Studies have focused on supplier attractiveness to the buyer in relation to other suppliers in the buyer's supplier portfolio (Olsen & Ellram, 1997) and, similarly, buyer attractiveness to the supplier with regard to other customers in the supplier's customer portfolio (Fiocca, 1982). The second and third streams of literature are very much alike when considering attractiveness as the characteristics or factors that make a business actor attractive to another party in a business relationship. However, while the third stream of literature focuses on the attractiveness of a supplier or buyer, the second stream of literature focuses solely on the buyer's attractiveness to suppliers.

Consideration of the above-mentioned three streams of literature indicates that buyer attractiveness is a highly relational and multifaceted concept. Buyer attractiveness is a construct that builds broadly on the supplier's perception of a buyer and of the outcomes from their mutual relationship in comparison with other available relationships. In this sense, buyer attractiveness describes not only the buyer, but also the supplier in terms of its perceptions and actions regarding the mutual relationship. The following sections articulate a holistic approach to buyer attractiveness in describing the concept with regard to time and elements within and outside the focal relationship.

### 2.2. The buyer attractiveness research framework

#### 2.2.1. The domains of buyer attractiveness

Fig. 1 describes the framework and meta-dimensions of buyer attractiveness: *business outcomes within the focal relationship* and the *leverage impact of the focal relationship* are shown on the horizontal axis; *past and present* and the *future potential* are shown on the vertical axis. These dimensions form the basis for the four quadrants that describe the elements underpinning buyer attractiveness. Consequently, Quadrant 1 describes buyer attractiveness as being the result of the supplier's experiences of past and present business outcomes in the focal relationship, whereas Quadrant 2 describes buyer attractiveness as resulting from the supplier's expectations of business outcomes arising from the focal relationship in the future. Similarly, Quadrant 3 features the supplier's experiences of the past and present leverage impact of the focal relationship on its other relationships, and Quadrant 4 reflects the supplier's expectations of the leverage impact of the focal relationship on the supplier's other relationships in the future. Due to the fact that buyer attractiveness may be based on one, several or all of the quadrants, they are not mutually exclusive. Therefore, the framework is to be seen as a higher-order outline on which more specific insights can be based regarding buyer attractiveness.

For analytical purposes, the framework can be read in terms of vertical and horizontal dimensions. In terms of the vertical dimension, the left side of the framework describes buyer attractiveness as a composite of the supplier's experienced and expected outcomes that arise from the relationship with the buyer. The right side of the framework describes the experienced and expected leverage impact of the focal relationship on the supplier's other relationships. Alternatively, in terms of the horizontal dimension, the upper part of the framework describes

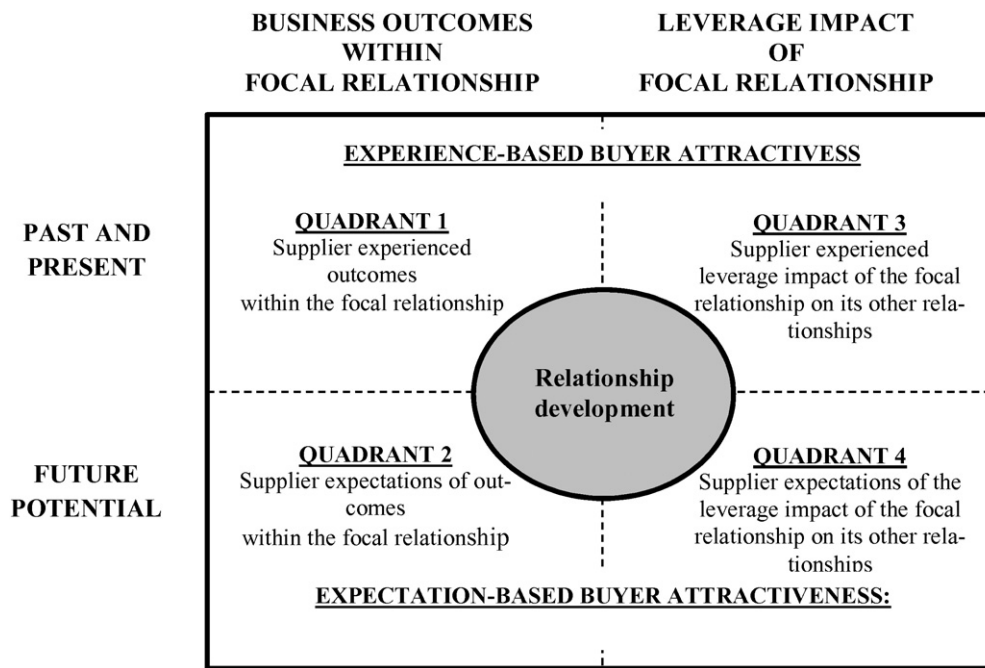


Fig. 1. A research framework for studying buyer attractiveness.

buyer attractiveness based on the supplier's experiences, i.e. *experienced outcomes*; and the lower part portrays buyer attractiveness based on supplier's *expectations of outcomes* inside and outside the focal relationship. Fig. 1 and its meta-dimensions synthesize the various scattered elements and dimensions of buyer attractiveness presented in the extant literature and facilitate the consideration of buyer attractiveness with regard to buyer–supplier relationship development presented in the core of the framework.

Quadrant 1 relates to the experienced outcomes within the focal relationship. The overall profit, as a composite of sales volume, costs, margins, prices, and revenues, can be regarded as an overarching element of buyer attractiveness as described in various studies (e.g., Tóth et al., 2014; Russill, 1997; Fiocca, 1982; Ramsay & Wagner, 2009; Hald et al., 2009). First, it has been shown that the relationship's profit potential reflects the past in terms of being indicative of the relationship's management and the adaptations made according to the parties' mutual goals (Krapfel, Salmond, & Spekman, 1991; Håkansson & Snehota, 1995; Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009). In addition, management actions and goals guide and form the basis for communication, knowledge transfer, joint problem solving and investments, which have all been linked with attraction/attractiveness in previous studies (see Christiansen & Maltz, 2002; Hald et al., 2009; Cordón & Vollmann, 2008). Similarly, organized contact patterns and joint teams with clear roles and responsibilities (Ramsay & Wagner, 2009) as well as the skilled personnel of the buyer that are dedicated to the supplier (Christiansen & Maltz, 2002; Fiocca, 1982) have been documented as drivers of buyer attractiveness. The afore-mentioned elements can be conceptualized as the relationship's *technical elements* that bring stability, support business exchange and help to reach set goals (see Håkansson et al., 2009; Håkansson & Snehota, 1995).

In addition, the developed *social elements* in the relationship (see Håkansson et al., 2009; Håkansson & Snehota, 1995) link to perceived attractiveness in Quadrant 1. Previous studies have documented psychosocial elements such as familiarity, similarity and compatibility between individuals and companies (Harris et al., 2003; Hald et al., 2009) as elements of attraction. Similarly, attraction has been linked to the concepts of trust and commitment, which together comprise a mutually reinforcing setting that reflects the social side of a relationship and its development (see Morgan & Hunt, 1994; Halinen, 1997;

Harris et al., 2003; Hald et al., 2009). The literature also presents micro-level elements and activities that feed or impair the evolution of the described social elements in the relationship. In case the interaction style (Halinen, 1997) is based on fierce negotiations, power misconduct and dominance (Ramsay & Wagner, 2009; Fiocca, 1982), it is likely to taint the atmosphere of the relationship. On the other hand, collaborative orientation and its related fairness (Cordón & Vollmann, 2002) and balanced risk sharing (Ramsay & Wagner, 2009; Christiansen & Maltz, 2002) are likely to reinforce the social elements and the perceived atmosphere of the relationship (Halinen, 1997).

In terms of Quadrant 2, the described technical and social elements reflect the past and present state of the mutual relationship, forming a reference point for supplier expectations and buyer attractiveness. The extant research has documented future-oriented factors within the focal relationship, such as demand stability and forecast reliability (Russill, 1997), commitment to long-term future orders, and also supplier development (Christiansen & Maltz, 2002; Morgan & Hunt, 1994). These factors enable the supplier to organize its business, thus increasing buyer attractiveness. Future aspects are also clearly reflected in the business environment's impact on the focal relationship, which is shown in the concepts of market stability, customer size, growth rate, market share and influence on the market (Ramsay & Wagner, 2009; Hald et al., 2009; Fiocca, 1982). These factors relate to the overall strength of the buyer's business and, consequently, to its attractiveness to the supplier.

The right side of the framework describes the elements of buyer attractiveness that result from the experienced (Quadrant 3) or expected (Quadrant 4) leverage impact of the focal relationship on the supplier's other business relationships. In this respect, research has documented the supplier's learning opportunities (Cordón & Vollmann, 2002), market information (Walter et al., 2001), or reference value (Russill, 1997; Fiocca, 1982) as elements of buyer attractiveness to the supplier. These elements, provided by the focal relationship, can improve a supplier's position with regard to its current markets or facilitate supplier access to new markets and customer and stakeholder relationships (Fiocca, 1982; Walter et al., 2001; Christiansen & Maltz, 2002).

Ultimately, the experience- or expectation-based buyer attractiveness is relative to other potential options available to the supplier (Harris et al., 2003). If business in the focal relationship is going well



but is even better elsewhere, buyer attractiveness might weaken. On the other hand, poor business outcomes in the focal relationship might be more attractive than worse outcomes elsewhere. In this sense, other relationships, including present and potential ones, form a baseline for a supplier when considering a buyer's attractiveness (Hald et al., 2009). Other relationships also affect buyer attractiveness in terms of the business areas in which to leverage the focal relationship (see Fiocca, 1982; Smals & Smits, 2012; Christiansen & Maltz, 2002; Walter et al., 2001). The supplier's other business relationships increase a buyer's attractiveness if the focal relationship has leverage potential with respect to them.

### 2.2.2. The interplay between experienced/expected business outcomes and relationship development

As the previous discussion suggests, both the experience- and the expectation-based buyer attractiveness interplay with relationship development. The framework shows how the experienced business outcomes shape and feed into the development of the focal relationship, and how the relationship and its anticipated development shape and is being shaped by the expected business outcomes. The incorporation of relationship development as a central element into the framework facilitates the explicit consideration of supplier activities and supplier attractiveness (Olsen & Ellram, 1997) as elements affecting the mutual relationship, and thus buyer attractiveness. In line with social exchange theory (Thibaut & Kelley, 1959), attractiveness and attraction are relational entities that describe not only the actor but also the relationship, interactions and experienced and expected rewards and value between the observer and the observed. Consequently, the previous literature on buyer attractiveness builds on this reciprocity and the interlinked nature of the buyer and supplier attractiveness. It describes supplier attractiveness as the fundamental reason for a buyer to persuade attractive suppliers (see Hald et al., 2009; Schiele et al., 2012).

The theoretical perspectives are limited when considering supplier attractiveness as a counterbalance to buyer attractiveness and their mutual dynamics and respective relationship development. Schiele, Veldman, and Hüttinger (2011), in their buyer attractiveness positioned article, explicitly explore the technical and behavioral features of suppliers and link them with supplier innovativeness and related benefits for the buyer. Olsen and Ellram (1997) apply the term supplier attractiveness explicitly and describe a general set of factors that build supplier attractiveness. Within a wider frame, supplier attractiveness parallels the literature on key account/supplier management (Pardo, Missirilian, Portier, & Salle, 2011). In the key supplier literature, Ulaga and Eggert (2006) adopt the supplier's perspective in their focus on supplier tactics to gain a key supplier position whereas Pardo et al. (2011) discuss the internal barriers that buyers have that hinder key supplier management. These studies provide a broader understanding on the dynamics related to supplier attractiveness and form the basis for describing supplier attractiveness in terms of factors regarding a *buyer–supplier relationship and its management* (Olsen & Ellram, 1997: supplier managerial orientation, supplier trustworthiness, strategic and operational fit between buyer and supplier), *offering and the operational issues of exchange* (Olsen & Ellram, 1997; Ulaga & Eggert, 2006: product quality, delivery performance, and service support), and *technological know-how and performance* (Olsen & Ellram, 1997; Schiele et al., 2011).

To sum up, the framework defines the meta-dimensions of buyer attractiveness and organizes the domains of buyer attractiveness into four quadrants. In general, buyer attractiveness is not only associated with the buyer's characteristics and actions, since the supplier itself becomes integral to the consideration of buyer attractiveness through the focal relationship. Hence, the supplier's activities as well as the related buyer perceptions of supplier attractiveness shape the buyer's actions and adaptations with regard to the relationship. Accordingly, the framework considers buyer attractiveness and relationship development in a

way that allows the dyadic perspective and the activities of both parties to be explicitly brought into the analysis. The aim is not to form a testable hypothesis between the presented constructs but, rather, to identify the areas and elements of buyer attractiveness “ex-ante” to support the exploration-oriented qualitative case studies and that methodological stance is reported next.

### 3. The research methodology

This study applies a qualitative multiple case research strategy (Yin, 2009), which was chosen 1) due to the highly complex and relational nature of buyer attractiveness that encompasses various analytical units, levels, and concepts, and 2) due to the nature of the research purpose that aims to produce a holistic understanding of buyer attractiveness as a catalyst for the processual phenomenon of relationship development (see Eisenhardt & Graebner, 2007; Makkonen, Aarikka-Stenroos, & Olkkonen, 2012). The empirical cases comprise two focal buyer companies and their attractiveness as perceived by their key suppliers.

During the data gathering (2011–2012), the first buyer company, NOKIA, was a Finnish company and the leading mobile phone manufacturer in the world. However, in the particular category of smart devices, NOKIA's market share was decreasing and dropped to third place during the data gathering period. Thus, NOKIA's role changed from being a market leader to a market challenger, which influenced NOKIA's attractiveness and its relationships with the suppliers studied in this research. The suppliers selected for this study represent the global R&D partners with whom NOKIA collaborated in developing a variety of technology areas. In smart device supply chains, component suppliers have a critical role since they account for up to 40% of the end product price, excluding distribution and retailing (Ali-Yrkkö et al., 2011). The selection of the suppliers was based on variations in the length of time working with NOKIA: the relationships of Suppliers 1 and 2 with NOKIA had existed for approximately ten years, Supplier 3's relationship for approximately three years, and Supplier 4's relationship comprised only one mutual project. This selection was expected to reveal elements of attractiveness and respective relationship development and to facilitate the theorizing.

The second buyer company, POWERHOUSE, which is one of the largest electricity distributors in Northern Europe, outsourced the majority of its non-core operations to suppliers between 2000 and 2010. In the European country the study was conducted in, POWERHOUSE had progressed furthest in its corporate agenda of outsourcing these functions. As other electricity distribution companies are following POWERHOUSE and moving to the outsourced service model, an entirely new service sector with new suppliers, service offerings and relationships is slowly emerging. The nine suppliers selected for this study represent POWERHOUSE's entire key supplier base for network construction, maintenance and fault repair services. The POWERHOUSE electricity distribution network covers 25 geographical areas. The company purchases similar types of services for all areas, each of which is operated by one supplier, selected through a competitive bidding process for a contract period of 3 + 1 + 1 years. Whilst some of the study's nine suppliers supply one area, the largest supplier operates in six areas. In total, the annual spend is approximately 60 MEUR for these services, which are critical for POWERHOUSE's core business of uninterrupted electricity supply for end-customers.

The cases were purposefully selected to further enhance our understanding of buyer attractiveness and relationship development (Eisenhardt & Graebner, 2007; Miles & Huberman, 1994). With regard to the importance of buyer attractiveness in terms of enforcing the relationships, the cases were similar. Both NOKIA and POWERHOUSE are very much dependent on their suppliers, and thus being an attractive buyer was crucial for them both. In both cases the know-how, expertise and competence of the suppliers is essential for the buyers whereby the tangible elements of the suppliers' service offerings facilitate service provision.

However, the cases were polarized as extremes with regard to the dimensions of local and global, and exploration, i.e. knowledge intensity and innovation orientation in R&D service delivery; and exploitation, i.e. effectiveness and cost efficiency in construction, maintenance and fault repair service delivery (see Table 1 in Appendix 1 for case study details). NOKIA's relationships were global in nature and exploration oriented. This means that all the suppliers studied had potential customers with which to start innovation projects, e.g. in the business areas of other branded mobile phones, other mobile devices and cameras, and thus opportunities to implement their technologies globally. Therefore, the competition for supplier attention and resources was continuous and global in nature. With regard to POWERHOUSE, its service business requires that suppliers are physically present and situated near the electricity distribution network in order to react to faults and to conduct maintenance and construction projects at various sites. For this reason, competition between the extant suppliers as well as the buyer's potential suppliers was almost non-existent during the contract period, but actualized during the bidding process for a new contract period. The cost efficiency is the ultimate orientation in service production for POWERHOUSE. Furthermore, whereas NOKIA competed with other potential buyers for the resources of suppliers, POWERHOUSE aimed to boost the suppliers' relationships with other buyers to create sufficient demand, and thus drive the viability of those suppliers and the emergence of the nascent service market. In this respect, the biggest threat to POWERHOUSE was not the other buyers but the potential decision of the suppliers to withdraw from the electricity distribution service business, which was poor or modest in terms of profit.

The main data source comprises 50 semi-structured interviews (Hesse-Biber & Leavy, 2006). An interview guide including theory-driven themes was employed, and the interviews were recorded and transcribed to facilitate a comprehensive analysis. In NOKIA's case, the focus was set on R&D relationships between NOKIA and four global R&D suppliers, termed Suppliers 1–4. In POWERHOUSE's case, the relationships with its nine key suppliers, termed Suppliers A–I, were the focus. In both cases, the atmosphere in the interviews was open and honest, which was reflected in the nature of responses given by the informants in this study. The interviewees' free descriptions complemented the theory-driven themes, as dialogues developed between interviewer and interviewee.

During the course of the research process, attention was paid to selecting informants from various organizational levels that were able to provide different perspectives on the research phenomenon (cf. Eisenhardt & Graebner, 2007). Accordingly, the informants at NOKIA included managers, directors, and specialists involved in R&D projects with the selected suppliers. At POWERHOUSE, the informants were managers and directors responsible for relationships with the key suppliers. Regarding the supplier companies, the aim was to interview key informants who played a significant role and had in-depth knowledge on the development of their company's relationship with the buyer companies.

As both case studies were conducted in close research collaboration with the buyers and the suppliers, interview data were complemented with extensive secondary data. The authors ran workshops and participated in buyer–supplier meetings that produced insights into the status of the relationships, and the prevailing atmosphere and spirit with regard to the mutual business. These events provided media for various specific and insightful discussions on attractiveness and relationship development, especially with the suppliers. These discussions are not included in a number of interviews due to the sensitive nature of the business discussed, which is also the reason for them not being recorded and thus not analyzed as systematically as the research interviews. However, all secondary material played a highly important role in understanding the cases and interpreting the study's results.

The case studies were first analyzed separately by categorizing and summarizing interview data according to the units of analysis: buyer

attractiveness and buyer–supplier relationship development. The within-case analyses were guided by the elements defined in the research framework and the results have produced tables and matrices that describe the critical events (Flanagan, 1954) and elements underpinning buyer attractiveness and the buyer–supplier relationship development in the cases (Miles & Huberman, 1994). These analyses also enabled the use of comparisons to determine similarities and differences and the detection of patterns concerning buyer attractiveness and buyer–supplier relationship development within and between the two case studies. The cross-case analysis fertilized and enriched the within-case analyses and produced extensive case accounts, enabling the combining of the deductive ex-ante conceptualizations with the inductive insights raised in the study. The case accounts were further organized and refined in the theorizing process towards an empirically grounded framework, which is the result of both the deductively and the inductively raised elements.

#### 4. Case study findings

##### 4.1. Case study on the attractiveness of NOKIA and its relationship development with its suppliers

###### 4.1.1. The domains of NOKIA's attractiveness

The four suppliers studied in this research perceived NOKIA Smart Phones (NOKIA) as an attractive customer. NOKIA's attractiveness was based primarily on the experienced business outcomes within the focal relationship (Quadrant 1) but also on the expected business outcomes within the focal relationship (Quadrant 2, see Fig. 1). The main factors driving NOKIA's attractiveness were the high volumes and size of NOKIA-related business in terms of sales and revenues that it had generated and was expected to generate in the future for its suppliers (Russill, 1997; Fiocca, 1982; Ramsay & Wagner, 2009; Hald et al., 2009). The fact that NOKIA had the highest volumes in the mobile phone industry was highlighted in every interview. NOKIA was regarded as having the power to shape the industry's development, opening up growth opportunities for the suppliers (Hald et al., 2009; Ramsay & Wagner, 2009; Fiocca, 1982):

*“NOKIA may be able to guide business in the mobile industry. Many suppliers are willing to be [involved] with this. NOKIA's brand is known globally.” [Supplier 2]*

*“NOKIA has a long history in this market. If NOKIA grows, we grow.” [Supplier 3]*

*“With NOKIA, suppliers could become big suppliers.” [NOKIA]*

NOKIA was perceived as a predictable partner with a constant flow of R&D projects that resulted in commercialization (Russill, 1997). This provided opportunities for the suppliers to develop their business, thus increasing NOKIA's attractiveness.

The suppliers' representatives, and also the informants from NOKIA, considered NOKIA's expertise and technological know-how important factors affecting its attractiveness in terms of Quadrants 3 and 4. The relationship with NOKIA provided suppliers with market information (Walter et al., 2001), learning opportunities (Cordón & Vollmann, 2002) and reference value (Russill, 1997; Fiocca, 1982) that had the leverage impact to open up business in the suppliers' other business relationships. NOKIA invested heavily in R&D and deployed advanced internal systems for quality control. When coupled with the sophisticated and well-documented testing procedures developed by NOKIA, the suppliers were pushed to “give their best,” leading them to develop their manufacturing capabilities and improve product quality continuously. This became an asset for the suppliers, which was applicable to other

customer relationships (Fiocca, 1982; Walter et al., 2001; Christiansen & Maltz, 2002):

*"If you have worked with NOKIA, you can manage working with other customers. NOKIA has strict quality requirements."* [Supplier 2]

*"If something passes NOKIA's tests, it passes everywhere."* [NOKIA]

NOKIA was considered a demanding partner with which the suppliers had opportunities to develop not only their components but also their businesses on a wider scale in both the focal relationship and their other relationships. Co-operation with NOKIA also offered learning opportunities (Cordón & Vollmann, 2002):

*"Thanks to NOKIA, we have this good technology business."* [Supplier 1]

*"NOKIA understands the technology and shares knowhow."* [NOKIA]

These experienced and expected business outcomes within as well as outside the relationship facilitate the development of the mutual relationship. The interplay between experienced business outcomes and relationship development is considered in the next section (Section 4.1.2.), while the interplay between the expected business outcomes and with relationship development are scrutinized in Section 4.1.3.

#### 4.1.2. The interplay between experienced business outcomes and previous relationship development

The experienced business outcomes are the result of the mutual, goal-oriented buyer–supplier relationships and their development. The relationships between NOKIA and the studied suppliers provided the basis for inter-organizational adaptations and development in the joint R&D projects (Krapfel et al., 1991; Håkansson & Snehota, 1995; Håkansson et al., 2009). All the studied relationships were similar in that NOKIA and the suppliers aimed for collaborative relationships. They shared a vision on the future technology and aimed for joint development. In this respect, the communication patterns (see Christiansen & Maltz, 2002; Hald et al., 2009; Cordón & Vollmann, 2008) were advanced in each relationship. The companies we committed to maintain a dialogue at every organizational level to enable effective knowledge transfer. At the top management level, NOKIA visited the headquarters of each supplier on several occasions. Since the suppliers were considered strategic for NOKIA, the companies engaged in future technology forums bi-annually to discuss the technology outlook and to revise related directions. Once a year, the companies held steering meetings at the middle and project management levels. Daily operational meetings were mainly in the form of teleconference calls between project teams. Each supplier had a dedicated, proactive key account manager and nominated experts that worked only with NOKIA. The fact that suppliers 2 and 3 had established local offices in Finland was highlighted several times. Due to these built-in elements, communication was frequent and enabled the building and alignment of organizational structures and processes to support joint R&D projects. This raised supplier perceptions of NOKIA's attractiveness as well as NOKIA's perceptions of supplier attractiveness (Olsen & Ellram, 1997).

The experienced business outcomes reinforced the social setting between the companies (Håkansson & Snehota, 1995). NOKIA's informants trusted their suppliers to deliver high quality on time (Schiele et al., 2011; Ulaga & Eggert, 2006) and not to misuse sensitive R&D knowledge (Olsen & Ellram, 1997), which are essential constituents of supplier attractiveness. Trust was widely considered the ultimate prerequisite for R&D collaboration and relationship development. Suppliers considered the information they received from NOKIA transparent, and knew, for example, how their performance was evaluated. Thus, NOKIA was perceived as a fair partner (Cordón & Vollmann, 2002). Additionally, both NOKIA and the suppliers emphasized interpersonal interactions

and the friendships that had been formed (Harris et al., 2003; Hald et al., 2009). Besides business topics, family issues and personal life were frequently discussed.

Joint development and adaptations (Håkansson & Snehota, 1995) had a high priority in all the relationships and contributed to both buyer and supplier attractiveness. The development and adaptations ranged from mutual task-specific problem solving to developing more durable structures and processes to support R&D projects. NOKIA was a preferred customer for all of its suppliers (Schiele et al., 2012), and thus received plenty of attention. Active supplier adaptations such as implementing NOKIA-specific manufacturing processes, investing in new machinery and allocating their best resources to joint projects (Schiele et al., 2011), made the suppliers highly attractive to NOKIA (see Olsen & Ellram, 1997). Consequently, NOKIA was committed to work with and develop the suppliers. NOKIA's adaptations, including the exchange of know-how, developing testing methods, and arranging training, greatly facilitated the integration of the suppliers' own expertise into NOKIA's highly tailored and complex products and processes, and organization. In terms of R&D projects, NOKIA helped suppliers develop their evaluation and testing, reporting, and risk analysis processes. NOKIA was regarded as a flexible customer (Fiocca, 1982; Ramsay & Wagner, 2009) in reacting to supplier suggested changes to help suppliers improve their efficiency.

NOKIA and Supplier 1 had worked together for more than ten years and had completed various successful projects. Over the years, Supplier 1 made huge investments in developing its core manufacturing processes and support processes to be compatible with NOKIA (Olsen & Ellram, 1997; Ulaga & Eggert, 2006):

*"NOKIA and [Supplier 1] are almost the same company."* [NOKIA]

Supplier 1 was highly attractive to NOKIA in terms of competitive prices, reliable deliveries and production time (Olsen & Ellram, 1997; Ulaga & Eggert, 2006). For these reasons, NOKIA wanted Supplier 1 to be the best in this technology and was dedicated to helping it in every way it could:

*"We have weekly discussions about what technologies they should use and how NOKIA could support them. NOKIA is strict because we trust and want to develop them to be the best."* [NOKIA]

Due to these investments and the adaptations made by NOKIA, it was axiomatic for Supplier 1 to serve NOKIA; it found NOKIA to be an attractive customer and honored it as a valued business partner.

Both NOKIA informants and Supplier 2 representatives emphasized that each company had invested heavily in the relationship, which had existed for approximately ten years and was strong in terms of both technical and social settings. Supplier 2 had implemented extensive internal developments in accordance with NOKIA's requirements, was very NOKIA-focused in its adaptations, and prioritized NOKIA over other customers in production capacity allocation (see Schiele et al., 2012):

*"If NOKIA wants to have more capacity, we have supported that as much as possible, as much as we can."* [Supplier 2]

NOKIA informants argued that Supplier 2 had exceptional technological capabilities, capacity, and highly compatible structures and processes built for cooperation, all of which drove supplier attractiveness (Olsen & Ellram, 1997; Ulaga & Eggert, 2006). Supplier 2's representatives stated that they wanted to be the world's leading company in their technology field, and thus selected NOKIA, the world's leading mobile phone company, as their business partner.

Compared to the long relationships that NOKIA had with Suppliers 1 and 2, the relationship with Supplier 3 was considerably younger. According to NOKIA's informants, Supplier 3 was very "hungry" and



devoted to increase their business with NOKIA (Olsen & Ellram, 1997; Ulaga & Eggert, 2006).

*“Their whole organization is very committed to NOKIA.” [NOKIA]*

The substantial investments made by Supplier 3 and its commitment towards NOKIA were shown in its flexibility and fast reactions to NOKIA's ideas and comments with the aim of enforcing the stability of the relationship (Olsen & Ellram, 1997; Ulaga & Eggert, 2006). Due to these elements, NOKIA perceived Supplier 3 as highly attractive. However, as Supplier 3 developed a stronger position with regard to NOKIA, some routinization took place. At first, the supplier had been on 24/7 stand-by mode in its service support (Ulaga & Eggert, 2006), but this changed as the supplier obtained a more secure position in the relationship and its need to attract NOKIA diminished. Thus, the relationship developed from its previous state, in which Supplier 3 had been one-sidedly pleasing NOKIA, to its current form in which the companies share more balanced roles and focus on developing the mutual relationship together.

The relationship between NOKIA and Supplier 4 differed from the other dyads as it comprised only one joint R&D project with subsequent component manufacturing and delivery. The main task of Supplier 4 in the project was to incorporate its technology into NOKIA products. As R&D projects are long-lasting episodes followed by manufacturing and deliveries over the product's lifecycle, frequent interactions and investments took place in the relationship. Furthermore, a similar technical setting of the relationship was built and put in place as in the other studied relationships. However, due to the narrower scope and shorter duration of the relationship, the cooperation was quite formal and task-specific and the social side remained less developed than in the other relationships.

#### 4.1.3. The expected business outcomes and relationship development

In terms of the studied relationships, the 2011 fall in NOKIA's market share hampered NOKIA's predictability and business potential. Thus, as its market share in smart devices dropped to third place, the company was no longer perceived as the market leader but as a challenger. NOKIA's decreasing size, growth rate, stability and influence on the market reduced NOKIA's attractiveness to suppliers, both in terms of the business outcomes within the focal relationships and its leverage impact (Hald et al., 2009; Ramsay & Wagner, 2009; Fiocca, 1982).

NOKIA's reaction to the change in its competitive position was to introduce a new strategy, according to which the company abandoned the Symbian operating system and adopted Microsoft's Windows Phone as the future smart device operating system platform. The transition from one platform to another was unique in the mobile industry and impacted on NOKIA's supplier base and total volumes in the Smart Devices portfolio. The operating system strategy influenced NOKIA's products and defined specific hardware features. All requirements regarding devices and components could no longer be solely determined by NOKIA, decreasing its opportunities to commit to long-term component and supplier development (for a similar discussion, see Christiansen & Maltz, 2002). This development impacted on NOKIA's entire supplier ecosystem and either increased or decreased the business outcomes of the current suppliers.

For Supplier 4, the change in NOKIA's strategy did not match its business expectations; hence Supplier 4 ended its relationship with NOKIA. Supplier 4 explicitly pointed out that it was willing to do business with the largest company in the market. After NOKIA lost its market leader position and changed to the new ecosystem, Supplier 4 perceived the company as less attractive. At the same time, Supplier 4 saw that business in the smart phone industry was not as lucrative as it had expected. Thus, Supplier 4 engaged with only one R&D project and the subsequent manufacturing and delivery processes of the component.

As acknowledged by NOKIA informants, the suppliers viewed the focal relationship as quite instrumental. Thus, the relationship with

NOKIA was a means to occupy a good position in the mobile device and technology markets (Fiocca, 1982; Walter et al., 2001; Christiansen & Maltz, 2002). In this respect, the change in NOKIA's market share was significant. For Supplier 2, NOKIA's status as the world's leading mobile phone company was in line with the supplier's attempts to be the world's leading technology supplier in its particular field. NOKIA perceived that Supplier 2's willingness to incorporate NOKIA's specific changes into their products or processes or make NOKIA-specific investments had weakened. NOKIA's informants pointed out that they sometimes found Supplier 2 arrogant and well aware of its good market position and NOKIA's declining status. However, this was not confirmed by Supplier 2's informants who declared their strong belief in NOKIA and their mutual relationship.

*“We are doing our best for NOKIA. We will face the future together, with new market leading technologies” [Supplier 2]*

Suppliers 1 and 3 regarded the future business outlook as positive and were willing to increase their business with NOKIA by being strongly involved in the new ecosystem. The suppliers still believed that NOKIA would grow and succeed, and that they would also grow and succeed, which was reflected in the interviews:

*“We are married, and we do not divorce due to setbacks. We will go wherever NOKIA is going.” [Supplier 3]*

In summary, the cases above describe how the perceived attractiveness of NOKIA induced the suppliers to actively make adaptations in the relationship. These efforts strengthened the supplier attractiveness from NOKIA's perspective, and led it to make investments and adaptations. This positive circle reinforced the relationships' technical and social settings, which was shown in inter-organizational trust and commitment between the organizations. The technical and social settings developed in the relationship facilitated the business processes, strengthened the mutual goals, and thus led to increased expectations concerning future business outcomes, which added to both buyer and supplier attractiveness.

#### 4.2. Case study on the attractiveness of POWERHOUSE and the development of its relationships with its suppliers

##### 4.2.1. The domains of POWERHOUSE's attractiveness

According to the nine key suppliers, the attractiveness of POWERHOUSE was mainly based on expectations of future business outcomes in the focal relationship and on the expected leverage impact of the focal relationship on the suppliers' other business relationships (Quadrants 2 and 4 in Fig. 1). This was due to the fact that the suppliers had experienced poor or modest financial outcomes (see Ramsay & Wagner, 2009; Hald et al., 2009) in their relationship with POWERHOUSE (Quadrant 1) and in their other customer relationships within the electricity distribution sector (Quadrant 3). Some of the smaller supplier companies with light overall cost structures had been able to achieve approximately 5% profits on their annual turnover, whereas, for the bigger suppliers the business had been unprofitable:

*“The spirit is that the one who miscalculates the most, or is in the most desperate situation, gets the contract. And, to be honest, I know that many of the suppliers in this field are pondering whether or not to withdraw from the electricity distribution sector.” (Supplier A).*

*“In a sense, the competition is good; so far, it's healthy. But what I'm more concerned about is the development of the service sector. We use the same resources in the field. Like I've sometimes said, the name of an electrician could be embroidered on the front of the overalls, but the name of the company could be a [changeable] patch on the back.” (Supplier C)*

The poor business outcomes (e.g., Ramsay & Wagner, 2009; Hald et al., 2009) link with the ongoing transition process in which the electricity distribution companies are moving from an in-house service production model (make) to outsourcing their service requirements to external suppliers (buy). POWERHOUSE has outsourced most of its service requirements to suppliers; however, the majority of its peer companies still rely on in-house production. Thus, the current overall volume of service purchasing in the industry is relatively low, and operational practices in terms of service purchasing, production and delivery are still emerging, which largely explains the current state of the relationships and the experienced business outcomes.

Therefore, it is evident that the business outcomes experienced by POWERHOUSE suppliers have not driven POWERHOUSE's attractiveness (Quadrant 1). Neither have the suppliers been able to leverage their relationship with POWERHOUSE to their business elsewhere (Quadrant 3) due to the immaturity of the market and weak demand for their services as many of the distribution companies still produce the services in-house. However, suppliers considered POWERHOUSE attractive due to the expected business outcomes within the focal relationship (Quadrant 2) and in their other potential relationships (Quadrant 4). As POWERHOUSE had progressed furthest in the outsourcing of its service requirements, the suppliers were motivated to be among the POWERHOUSE supplier base. By being involved, suppliers can gain insight into the transition of the electricity distribution industry as it moves from make to buy in terms of services. Furthermore they can learn about the market creation actions of POWERHOUSE, which could greatly shape their future business potential within the electricity distribution sector (see Walter et al., 2001).

POWERHOUSE played an active role in facilitating the emergence of the service sector. As electricity distribution in the given country is a monopoly activity, distribution companies were not in direct competition with each other. This setting enabled cooperation and joint development between the electricity distribution companies. To increase the demand for services, i.e. to provoke the transition from in-house production to outsourcing among the distribution companies, POWERHOUSE contacted other electricity distribution companies directly and presented its supplier relationships management strategies and tools openly. The aim here was to facilitate market development and thus to secure the supply of these critical services.

*"This will peter out soon if we stop and wait. And there is still a risk that we won't get other electricity companies to enter into this. But, if and when we get them, then the market will really take off."* (POWERHOUSE)

Another side of POWERHOUSE's activities was to accelerate market emergence focused on supplier development. Both POWERHOUSE and the suppliers used the term *school* explicitly to describe POWERHOUSE and the nature of their relationships, the development of which is considered in the following section.

#### 4.2.2. The interplay between experienced business outcomes and previous relationship development

As a rule, the management side in buyer–supplier relationships had been overshadowed by technical operations. The current meeting and communication practices (Hald et al., 2009; Ramsay & Wagner, 2009) were deemed a one-way information push from POWERHOUSE to the suppliers instead of collaborative sharing. The lack of strategic-level communication and the consequent poor knowledge of each other's long- and short-term goals was reflected in the suppliers' varying perceptions of their respective relationships with POWERHOUSE (Krapfel et al., 1991; Håkansson & Snehota, 1995).

The lack of shared goals and the relationship management actions is clearly revealed in the technical and social settings of the relationships (Håkansson & Snehota, 1995). In terms of the social settings, many of the key personnel in the relationships shared a joint history with

POWERHOUSE since they had worked there before the outsourcing decision. However, the familiarity and similarity between the individuals (Harris et al., 2003; Hald et al., 2009) did not provide a basis for a cooperative interaction style and trust (Halinen, 1997). Rather, the individuals at POWERHOUSE felt that they needed and were expected to distance themselves from their former peers.

*"I think it's much about personal chemistries, and I am not saying who's right and who's wrong, but there have been some issues and we have made certain changes in the field as well [...] there are perhaps a couple of quite angular people on their side."* (Supplier G)

In order to boost the growth of the service market, POWERHOUSE openly aimed at bringing in new supplier companies from related industries i.e. telecommunications networks and electricity installation. This was mainly interpreted as a lack of commitment (Morgan & Hunt, 1994) among the suppliers, but was defended by POWERHOUSE as being a temporary mechanism to facilitate the transition from in-house production to outsourcing, that was sweeping over the industry.

In the current system, all of the suppliers were regarded similarly, despite their size, which varied from multinational service companies to local operators with 15 employees. Instead of building specific structures and processes in the technical setting in order to help the transition towards a more collaborative operation mode, POWERHOUSE developed devices and metrics to maintain the transaction-oriented operation mode with its suppliers. However, that meant the suppliers' incentives to adapt were almost non-existent. Thus the operational and strategic fit between POWERHOUSE and its suppliers as well as the supplier delivery performance were rather weak (Olsen & Ellram, 1997; Ulaga & Eggert, 2006). The suppliers' modest adaptations, moderate technological know-how and performance (Schiele et al., 2011) were a disappointment to POWERHOUSE and led to decreased supplier attractiveness.

#### 4.2.3. The expected business outcomes and relationship development

Due to its former in-house production, POWERHOUSE had good knowledge about the focal services. The rationale behind the outsourcing decision was to achieve cost reductions. In this respect, POWERHOUSE pushed suppliers to increase their efficiency and effectiveness. All of the suppliers regarded POWERHOUSE as a tough customer, which was perceived as both positive and negative. At one extreme, some of the suppliers (Suppliers A and I), regarded POWERHOUSE as mainly exploiting them. They did not trust in the long-term market development agenda that POWERHOUSE was explicitly driving; the suppliers considered it as an excuse to legitimize the fierce competitive bidding rounds and price-focused negotiations (see Ramsay & Wagner, 2009), while producing short-term benefits for POWERHOUSE. In turn, this resulted in perceived unfairness in the relationship (Cordón & Vollmann, 2002) and perceived imbalance in risk-sharing (Ramsay & Wagner, 2009; Christiansen & Maltz, 2002), which eroded buyer attractiveness.

*"The more you pull rank, set specs and dig up all kinds of issues that enable you to add all kinds of requirements, the more difficult and less interesting it is to work together. [...] actually, I wouldn't mind at all if we lost the contract areas in the next tendering process."* (Supplier A)

*"The situation is completely unstable; they do not mind at all the huge risks loaded on us. At the same time, they are skimming exceptional revenues with their risk-free capital, whereas we, within this hard human-labor intensive service business, are doing our best to reach even a positive operating income."* (Supplier I)

In this sense, these suppliers mostly appreciated the leverage impact of the learning opportunities (Cordón & Vollmann, 2002) and the



reference value (Russill, 1997; Fiocca, 1982), which help access business with other electricity distribution companies in the expanding market (see Walter et al., 2001; Christiansen & Maltz, 2002), as drivers of POWERHOUSE's attractiveness (Quadrant 4).

At the other extreme, some suppliers set POWERHOUSE's actions into a long-term perspective and valued the expected business outcomes with POWERHOUSE per se (Quadrant 2). These suppliers were more patient and understood the risks POWERHOUSE was taking to drive the market:

*"From our perspective, it's like we bear the major part of the risks. But, in a sense, they are not comparable as they also have risks outside our mutual relationship in terms of risks relating to the capacity and availability of the services and this whole service market." (Supplier D)*

*"[T]o me it is because POWERHOUSE seems like a primus motor [the first mover] generating a whole new service sector. In this sense, it is also an investment for them in the current phase. But, if only I had a crystal ball to tell me where this business is going? If this development leads to a certain kind of crystallization of what the whole thing is, as I believe, then this is R&D investment to some extent that leads to tighter forms of cooperation in the future." (Supplier H)*

In this respect, Suppliers D and H understood POWERHOUSE's competitive purchasing strategy in relation to market development. However, the leverage impact of the focal relationship with regard to other relationships (Quadrant 4) was considered very lucrative by all of the suppliers, and also by those who valued future business outcomes within the focal relationship with POWERHOUSE (Quadrant 2).

*"The real benefit comes from areas outside this relationship. I think this cooperation will give us a competitive advantage over various other suppliers outside the POWERHOUSE supplier base when the market expands." (Supplier H)*

POWERHOUSE had realized the potential risk that relates to its attractiveness with regard to leverage impact in the future. POWERHOUSE's representatives anticipated that some suppliers might leave its supply base or decrease the volumes they provide to POWERHOUSE as other electricity distribution companies start outsourcing these functions and the market opens up:

*"I have been thinking that we'll develop and pay for all that, and then some other distribution company will come along and take the ready package. And the supplier who used to work for us efficiently might get a better price from these newcomers. Actually, this has already happened. [...] But, in any case, we know that we need to go forward and implement new things to be an interesting partner" (POWERHOUSE)*

The division into overly negative/cynical and patient/faithful supplier perspectives on POWERHOUSE's actions was reflected in the perceived atmosphere in the relationships (Halinen, 1997). The suppliers that regarded POWERHOUSE mainly as a self-gain oriented sub-optimizing actor, perceived the atmosphere as strongly negative, whereas suppliers that believed in future business outcomes with POWERHOUSE felt that the relationship atmosphere was quite neutral:

*"There [at POWERHOUSE] they sit, those all-knowing smart asses, and none of our ideas or propositions really affect anything. We're put down more often than not. There's no real feel of a win-win relationship." (Supplier A)*

*"From our point of view, the problem is that the margins are low, almost negligible. But that's a different story. I mean that even if prices are low, it doesn't mean that the customer is somehow annoying or irritating. I see that it's more our headache, to make us viable." (Supplier H)*

Suppliers that expected business outcomes within the relationship in the future (Quadrant 2) aimed at adaptations, although their resources in this respect were quite restricted. However, suppliers that were mainly expecting business outcomes with other electricity distribution companies, in expectation of the market opening up (Quadrant 4), had very limited incentives to adapt:

*"Certain ways of innovating are out of reach as we don't have the incentives to do it. I think the current technology and all kinds of mobile solutions might be helpful, but they have remained on the back burner thus far." (Supplier A)*

The most negatively oriented suppliers, Suppliers A and I, simply sought to undertake the minimum adaptations required to stay on board, and even decreased their share of business with POWERHOUSE. They believed that even a small share of POWERHOUSE business would provide them with leverage opportunities to gain business outcomes with other electricity distribution companies when the market expands (see Walter et al., 2001; Christiansen & Maltz, 2002).

To sum up, POWERHOUSE's attractiveness was mainly linked with expectations of business outcomes within the focal relationship in the future (Quadrant 2) but mostly with expectations of the leverage impact of the focal relationship to the suppliers' other business relationships in the future (Quadrant 4). The analysis shows the interconnected nature of the (lack of) joint relationship goals, the technical and social settings, and the mode of exchange in the relationships. The lack of relationship goals and the resulting communication patterns raised uncertainty among the suppliers, which manifested in perceived dissonance with regard to the buyer's requirements for supplier adaptations; as did the buyer's simultaneous actions to increase the number of suppliers and the resulting increase in competition among the suppliers. The next section discusses the case analyses and presents an empirically grounded framework of buyer attractiveness as catalyst for relationship development.

## 5. Discussion

The case study findings are organized in Fig. 2 in order to present an empirically grounded framework on buyer attractiveness as a catalyst for relationship development. The framework provides an integrative platform for studying and understanding the dynamics between buyer and supplier attractiveness and respective adaptations and the interplay of these elements with experienced and expected business outcomes and relationship development. Thus, the black box of relationship development with reference to buyer attractiveness as described in the theoretical framework is opened up.

The experienced and expected business outcomes as fundamental constituents of buyer attractiveness are placed in the center of the framework. Respectively, a major polarization between the case studies was found. Past and present business outcomes within the focal relationship were a strong constituent of NOKIA's attractiveness. In contrast, POWERHOUSE's attractiveness was primarily based on the potential future business outcomes and the expectations regarding the leverage impact of the focal relationship on the suppliers' other relationships. In other words, NOKIA's suppliers had chosen NOKIA because of the business the mutual relationship brings to them, whereas POWERHOUSE's suppliers were mainly partnering with POWERHOUSE due to the leverage impact of the relationship. This difference in emphasis was further elucidated by the varying degrees of adaptation that were performed in the relationships. The connection between buyer attractiveness, supplier adaptation, supplier attractiveness and buyer adaptation is illustrated in the form of arrows describing a virtuous circle through which the relationships develop.

NOKIA's attractiveness as a business partner motivated the suppliers to make various kinds of adaptation at operational, tactical, and strategic

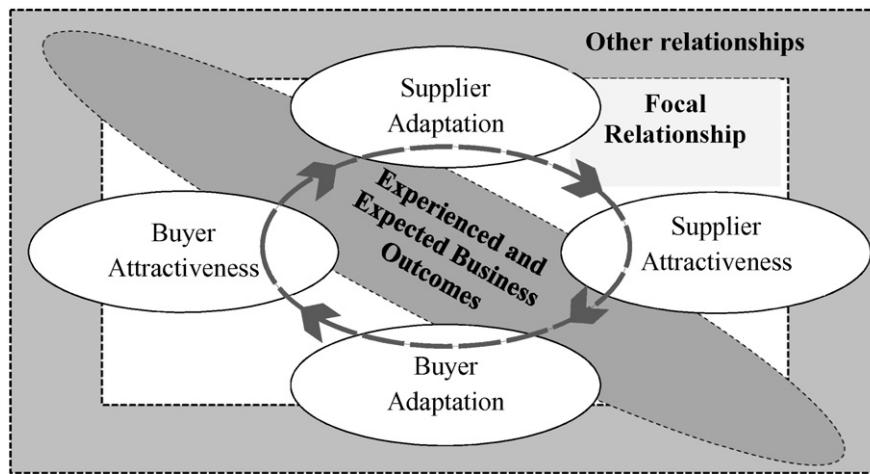


Fig. 2. An empirically grounded framework of buyer attractiveness as a catalyst for relationship development.

levels within their respective relationships. These adaptations strengthened the capabilities of the suppliers to meet NOKIA's needs, leading to stronger relationships and increased supplier attractiveness. This stimulated NOKIA to engage in further adaptations to develop the suppliers in various ways, which led to the improved attractiveness of NOKIA. Furthermore, the positive effects of the adaptations were applicable to the suppliers' other business relationships, generating business outcomes outside the focal relationship, which also increased NOKIA's attractiveness.

In addition to the reinforcing mechanism between the elements in the virtuous circle, the NOKIA case also reveals the nature of supplier attractiveness as a counterbalance to buyer attractiveness. For example, in order to build its attractiveness in the eyes of NOKIA, Supplier 3 was highly adaptive at the beginning of the relationship. However, as the supplier attractiveness grew, and Supplier 3 and NOKIA become more equal in terms of perceived attractiveness, the position of Supplier 3 became more secure which led it to reduce its adaptations. Similarly, NOKIA perceived Supplier 2 to be highly attractive, but the decrease in NOKIA's market share and the resultant reduction in its attractiveness in the eyes of Supplier 2, shifted the focus from a buyer-dominated relationship towards the supplier's dominance. In this new situation, NOKIA's propensity to adapt was higher and Supplier 2's lower than previously.

The attractiveness – adaptations circle and its interplay with experienced and expected business outcomes as well as relationship development was also evident in the POWERHOUSE case study. In some specific dyads, the virtuous circle became a *vicious circle*, due to its deteriorating impact on relationship development. POWERHOUSE was dissatisfied with the level of some of its suppliers' adaptations, which were modest at best. This was due to the perceived low level of buyer attractiveness and, more specifically, the poor experienced and expected business outcomes from the relationship. On the contrary, those suppliers that expected good business outcomes within the focal relationship were more responsive in their adaptations. This contributed to supplier attractiveness as perceived by POWERHOUSE, leading to more reciprocal adaptations and a positive orientation towards those suppliers in its future agenda that enforced the mutual relationships.

These empirical insights suggest that buyer attractiveness is to be understood with reference to 1) the other elements of the virtuous circle, 2) experienced and expected business outcomes, and 3) the focal relationship and other relationships. All these elements are interlinked with each other as illustrated in Fig. 2. The described connections between the elements in the virtuous circle are not to be

understood as strict causalities but as associations between these elements. The results show how buyer attractiveness stimulates supplier adaptations, which leads to supplier attractiveness and reciprocal buyer adaptation. On the basis of the study, we propose that the reinforcing mechanism operates until there is a balance between buyer and supplier attractiveness. In this sense, buyer attractiveness is relative to supplier attractiveness, and the gap between the two stimulates the less attractive party towards adaptation to secure the business outcomes and maintain the relationship. In addition to the reciprocal dynamics between the virtuous circle elements, the experienced and expected business outcomes accelerate or slow down the circle, either reinforcing or, if negative, eroding the mutual relationship and its development.

The impact of other relationships on buyer attractiveness is two-fold: 1) other relationships provide alternatives to the focal relationship, against which the supplier and buyer can evaluate the current state of attractiveness concerning the other party; and 2) they represent areas in which to leverage the outcomes of the focal relationship. The focal relationship and attractiveness of the other party is thus continuously assessed vis-à-vis available alternatives. The changes inside or outside the relationship may enforce or hamper the experienced and expected business outcomes when compared to the known alternatives. Nevertheless, the other buyer relationships of the supplier and supplier relationships of the buyer do not solely constitute an area of rivalry for the buyer/supplier, decreasing its attractiveness, but also an area for leverage impact that potentially increases the buyer/supplier attractiveness. Thus, the framework describes buyer attractiveness as a highly relational concept that represents both the means and ends with regard to the experienced and expected business outcomes and the focal relationship and its development in relation to other network relationships. The next section puts forward the theoretical and managerial implications of the study and makes suggestions for further research.

## 6. Conclusions and implications

### 6.1. Theoretical implications

The buyer attractiveness literature builds on early contributions to attraction in business relationships, and draws on other related literature streams and conceptualizations in introducing buyer attractiveness as an academic umbrella conceptualization. The concept of buyer attractiveness is developing into a perspective on buyer–supplier

relationships that features a more balanced division of roles and mutual dependencies between buyers and suppliers.

The focal study contributes by systemizing the concept of buyer attractiveness towards a holistic perspective on buyer–supplier relationship dynamics, and by presenting an empirically grounded framework. The study suggests that buyer attractiveness, as a highly relational concept, can complement approaches that adopt a collaborative, value co-creation lens on buyer–supplier relationships and their development. The emergence of service-dominant logic has strengthened the role of the relationship as a central unit of analysis in describing relationships as platforms for value co-creation and resource integration (see Vargo & Lusch, 2008). The concept of buyer attractiveness as presented in this study is suitable for providing dimensions and analytical concepts through which value co-creation and the respective relationship development can be understood. Furthermore, the focal study makes the link between buyer and supplier attractiveness explicit. Supplier attractiveness represents a built-in feature in the buyer attractiveness literature: buyer attractiveness refers to actions and strategies made by the buyer to appeal to those suppliers that the buyer finds most attractive. However, supplier attractiveness has not been explicitly described as an analytical concept in the extant research, and overall it lacks a coherent status in the buyer attractiveness literature. To systemize these concepts, the study conceptualizes the interrelatedness of the business partners' attractiveness and adaptations into a virtuous circle of buyer attractiveness, supplier adaptation, supplier attractiveness and buyer adaptation, which reciprocally reinforce each other and the mutual relationship.

## 6.2. Managerial implications

For companies operating in dynamic and extremely competitive markets, attracting the most knowledgeable and technically proficient suppliers is imperative. In this context, managers need to understand how being an attractive customer contributes to preferred customer status and further impacts the supplier's willingness to offer ideas, innovations and technologies. NOKIA's case in particular highlights the underpinnings in developing relationships with strategic suppliers. The results of the study show that the more the buyer company makes adaptations, such as organizes training, disseminates technological know-how, and develops testing and evaluation methods for suppliers, the more likely the supplier is to adapt to the buyer's needs in terms of developing their technologies and investing into the relationship.

The results imply that buyer attractiveness should be understood and managed vis-à-vis relationship development phases. At the beginning of a relationship, buyer attractiveness may mostly build on the expectations that the suppliers have regarding the mutual business outcomes and the potential related to leveraging the focal relationship elsewhere. Mutual adaptations come into play as the buyer and supplier collaborate in order to reach common goals and realize the expected business outcomes. As the relationship matures, adaptations become integral in maintaining relationship structures and practices in supporting the achievement of mutual goals. At this point, the emphasis may shift towards experience-based buyer attractiveness. Thus, elements underpinning buyer attractiveness are not static but they may change over time as the relationship matures.

Furthermore, since business outcomes can relate to the focal relationship per se, or to other customer relationships available to the supplier, buyer attractiveness can be regarded as a consequence of the characteristics and actions not only of the focal buyer but also of the supplier and other network actors. The expected business outcomes in other customer relationships were the main reasons for the suppliers of POWERHOUSE to remain in the relationship and make respective adaptations. Conversely, as the expected business outcomes with NOKIA

and the potential leverage impact of the focal relationship to other relationships diminished due to their substantial market share decline, Supplier 4 decided to terminate the relationship. Therefore, considering suppliers' actions as resulting from their perceptions of buyer attractiveness in relation to other potential customers may allow managers to understand suppliers' motives and interest – or lack thereof – in investing and developing the focal relationship.

Mutual communication and goal setting are the essential elements that link to attractiveness; to the extent that the supplier knows the buyer's goals and the supplier has a basis on which to evaluate the relationship and its possible future directions. Communication on individual goals provides grounds for establishing joint short- and long-term goals and a relationship agenda. The goals and agenda then provide a foundation for adaptations to reinforce the technical setting of the relationship; for example, improvements in joint information systems, communication patterns and contracts, which support mutual exchange and shape the relationship's outcomes. Adaptations to reinforce the relationship and its outcomes, in turn, reinforce the social side of trust, commitment and the relationship's atmosphere. Together, these elements can be associated with perceived and expected business outcomes, thus creating buyer attractiveness.

## 6.3. Further research

The study has constructed a general frame on which to build an understanding of buyer attractiveness and buyer–supplier relationship development. However, further explorative research is evidently needed to systemize and build a sharper perspective on buyer attractiveness and its role with reference to relationship development. First, the defined domains of buyer attractiveness could be developed to become more measurable. Further research might develop and operationalize the meta-dimensions presented in the focal study to create a more defined understanding of the share of each quadrant in the composition of buyer attractiveness. Second, a further scrutiny with reference to the networked setting would strengthen the perspective on buyer attractiveness developed in a dyadic setting in this study. The network perspective on attractiveness should aim at developing conceptualizations and a perspective on buyer attractiveness as a highly relational phenomenon linked to various company and inter-company features, processes and structures. The research could focus on identification of enduring aspects, and also dynamic occurrences, actions and events in a network that launch disruptive or vitalizing effects and mechanisms on buyer attractiveness.

Third, further research could aim to enhance understanding on supplier characteristics, activities and other relationships as well as their role in shaping a supplier's cognitive frame, which would help to evaluate buyer attractiveness. Further studies might also adopt different levels of analysis, e.g. individuals, groups, organizational units and departments, and the mutual interplay through which the perception of buyer attractiveness emerges. Similarly, a buyer company might be the focus area and research could adopt different approaches to investigate how buyer attractiveness is implemented as a management orientation into company practices at different levels. Buyer attractiveness might provide a lens or perspective with which to study interdepartmental relationships and conflicts, and how they are addressed in accordance with the buyer attractiveness agenda.

Both qualitative and quantitative studies would contribute to systemizing buyer attractiveness in terms of its various dimensions and levels of analyses. Qualitative studies with an ethnographic orientation would delineate the complex, multi-level mechanisms that underpin buyer attractiveness, whereas quantitative studies might, for example, aim at building scales with which to measure buyer attractiveness and its link with buyer performance.



## Appendix 1

Table 1

Case study details.

	NOKIA	POWERHOUSE
Case selection criteria	Extremely global business. Competition of suppliers against other potential buyers of cell phones and other devices. Focus on exploration (R&D).	Extremely local business. Feeding supplier business with other potential buyers to feed the service market emergence. Focus on exploitation (i.e., efficient service production).
Timing of data collection	October 2011–February 2012	March 2011–April 2012
Number of research interviews	24	26
Informants	NOKIA (n = 17): Sourcing directors Technology directors R&D team and project managers Production managers Engineering specialists  4 supplier companies (n = 7): Key account directors Technical managers and specialists	POWERHOUSE (n = 10): Department manager, construction and partnership Manager, supplier relations Material specialists Field managers Operational control manager  9 supplier companies (n = 16): CEOs Business unit managers Senior directors Field managers Key account managers
Secondary data	Project database including project-specific documentation, meeting minutes, teleconference calls, and observations from meetings over a research project that widely granted access to these sensitive secondary data sources.	Various workshops, developmental discussions, and meetings run by the authors; various documented materials on relationships and their management. Funded by POWERHOUSE, a formal, one year university research project conducted by the authors aimed at developing service relationships and service market; some of the suppliers and the industry association granted wide access to these sensitive materials.

## References

- Ali-Yrkkö, J., Rouvinen, P., Seppälä, T., & Ylä-Anttila, P. (2011). Who captures value in global supply chains? Case Nokia N95 smartphone. *Journal of Industry, Competition and Trade*, 11(3), 263–278.
- Christiansen, P. E., & Maltz, A. (2002). Becoming an “interesting” customer: Procurement strategies for buyers without leverage. *International Journal of Logistics Research and Applications: A Leading Journal of Supply Chain Management*, 5(2), 177–195.
- Cordón, C., & Vollmann, T. E. (2002). The next game in purchasing. *IMD International: Perspectives for Managers*, 86(1), 1–3.
- Cordón, C., & Vollmann, T. E. (2008). *The power of two: How smart companies create win-win customer-supplier partnerships that outperform the competition*. New York: Palgrave Macmillan.
- Dwyer, R. F., Schurr, P. H., & Oh, S. (1987). Developing buyer-supplier relationships. *Journal of Marketing*, 51, 11–27.
- Eisenhardt, K., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of Management Journal*, 50(1), 25–32.
- Fiocca, R. (1982). Account portfolio for strategy development. *Industrial Marketing Management*, 11(1), 53–62.
- Flanagan, J. (1954). Critical incident technique. *Psychological Bulletin*, 51(4), 327–358.
- Håkansson, H., & Snehota, I. (Eds.). (1995). *Developing relationships in business networks*. London: Routledge.
- Håkansson, H., Ford, D., Gadde, L. -G., Snehota, I., & Waluszewski, A. (2009). *Business in networks*. Chichester: John Wiley & Sons.
- Hald, K. S., Cordón, C., & Vollmann, T. E. (2009). Towards an understanding of attraction in buyer-supplier relationships. *Industrial Marketing Management*, 38(8), 960–970.
- Halinen, A. (1997). *Relationship marketing in professional services: A study of agency client dynamics in the advertising sector*. London: Routledge (Chapter 6).
- Harris, L. C., O'Malley, L., & Patterson, M. (2003). Professional interaction: Exploring the concept of attraction. *Marketing Theory*, 3(1), 9–36.
- Hesse-Biber, S., & Leavy, P. (2006). *Practice of qualitative research*. London: Sage.
- Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review. *Industrial Marketing Management*, 41(8), 1194–1205.
- Krapfel, R. E., Salmond, D., & Spekman, R. (1991). A strategic approach to managing buyer-seller relationships. *European Journal of Marketing*, 25(9), 72–82.
- La Rocca, A., Caruana, A., & Snehota, I. (2012). Measuring customer attractiveness. *Industrial Marketing Management*, 41, 1241–1248.
- Makkonen, H., Aarikka-Stenroos, L., & Olkkonen, R. (2012). Narrative approach on business network processes. Implications for theory and methodology. *Industrial Marketing Management*, 41(2), 287–299.
- Miles, M., & Huberman, A. (1994). *Qualitative data analysis* (2nd ed.). Thousand Oaks, CA: Sage.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58, 20–38.
- Mortensen, M. H. (2012). Understanding attractiveness in business relationships — A complete literature review. *Industrial Marketing Management*, 41(8), 1206–1218.
- Nieminen, S. (2011). *Supplier relational effort in the buyer-supplier relationship*. Aalto University publication series (Doctoral dissertations 130/2011).
- Olsen, R. F., & Ellram, L. M. (1997). A portfolio approach to supplier relationships. *Industrial Marketing Management*, 26(2), 101–113.
- Pardo, C., Missirlian, O., Portier, P., & Salle, R. (2011). Barriers to the ‘key supplierization’ of the firm. *Industrial Marketing Management*, 40(6), 853–861.
- Ramsay, J., & Wagner, B. (2009). Organisational supplying behaviour: Understanding supplier needs, wants and preferences. *Journal of Purchasing and Supply Management*, 15, 127–138.
- Russill, R. (1997). *Purchasing power: Your suppliers, your profits*. London: Prentice-Hall.
- Schiele, H., Calvi, R., & Gibbert, M. (2012). Customer attractiveness, supplier satisfaction and preferred customer status: Introduction, definitions and an overarching framework. *Industrial Marketing Management*, 41, 1178–1185.
- Schiele, H., Veldman, J., & Hüttinger, L. (2011). Supplier innovativeness and supplier pricing: The role of preferred customer status. *International Journal of Innovation Management*, 15(01), 1–27.
- Smals, R., & Smits, A. (2012). Value for value — The dynamics of supplier value in collaborative new product development. *Industrial Marketing Management*, 41(1), 156–165.
- Tanskanen, K., & Aminoff, A. (2015). Buyer and supplier attractiveness in a strategic relationship — A dyadic multiple-case study. *Industrial Marketing Management*, 50, 128–141.
- Thibaut, J., & Kelley, H. (1959). *The social psychology of groups*. New York: Wiley.
- Tóth, Z., Thiesbrummel, C., Henneberg, S., & Naudé, P. (2014). Understanding configurations of relational attractiveness of the customer firm using fuzzy set QCA. *Journal of Business Research* (Online publication, Article in press).
- Ullaga, W., & Eggert, A. (2006). Value-based differentiation in business relationships: gaining and sustaining key supplier status. *Journal of Marketing*, 70(1), 119–136.
- Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science*, 36(1), 1–10.
- Walter, A., Ritter, T., & Gemünden, H. G. (2001). Value creation in buyer-seller relationships. Theoretical considerations and empirical results form a supplier's perspective. *Industrial Marketing Management*, 30(4), 365–377.
- Wilkinson, I., Young, L., & Freytag, P. (2005). Business mating: Who chooses and who gets chosen? *Industrial Marketing Management*, 34(7), 669–680.
- Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). Sage Publications, Inc.

**Hannu Makkonen** is a senior researcher at the Department of Marketing and International Business, Turku School of Economics at the University of Turku. His research interests lie in the areas of organizational innovation adoption, industrial networks and relationships, organizational buying, service-dominant logic, and processual inter-organizational research. His previous work has been published e.g. in *Industrial Marketing Management*, *Journal of Business Research*, *Journal of Business & Industrial Marketing*, *Technology Analysis and Strategic Management*, and *Journal of Business Market Management*.

**Mervi Vuori**, doctoral candidate, M.Sc., works as Researcher at the Department of Industrial Engineering and Management in Aalto University. Her current research interests are service purchasing, supplier relationship management and supplier involvement in new product development. She has previously published in *Industrial Marketing Management*.

**Miia Puranen**, M.Sc., works as Service Delivery Lead at Capgemini Finland. Her responsibilities include management of service development and client relationships in technology environment.