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BUSINESS RELATIONSHIPS DEVELOPMENT IN SOUTHEAST ASIA

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ABSTRACT

In research one may find many thoughts about steps and strategies with regard to initiate successful business relationships in a multicultural context. However, earlier business relationship research has less focus on the Southeast Asia (SEA) region, especially when it comes to studies focussing on the initial stages of business relationships. Hence, the purpose of this Master's thesis is to study the nature of business relationships and the initiation of business relationships in SEA. In order to cover the research topic appropriately, the model of attraction, interaction, communication, and trust and commitment have been applied.

The abductive approach is applied to conduct this study. Data collection is based on semi-structured in-depth interviews with four interviewees from Finnish manufacturing companies in a business to business environment, three of the interviewees are Finns, and one is from Thailand. The result of this thesis is to contribute as a supportive guideline for companies planning to newly enter into the SEA market.

The result of this Master's thesis showed that Finnish companies used local partners to enter into these unfamiliar markets. Local partners and foreign companies are attracted to each other due to the resources needed. Local partners exchanged local market knowledge with technical and financial supports from foreign partners. In SEA, personal relationships are important and impact the business to a certain extent in the local business environment; however foreign counterparts often prefer to keep distance from local partners. Moreover, trust and commitment are based on results and actions which could create significant good result to the business.

KEYWORDS: Business relationship, Southeast Asia, model of attraction, personal relationship, trust

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1. INTRODUCTION

Relationships are company's most important assets as they enable a company to access to the resources of others (Ford, Gadde, Håkanson and Snehota 2003: 49). Though business relationships have been a long history in academic research however, little knowledge exists on how business relationships are initiated and developed (Mortensen 2012: 1206). Furthermore, researches are mainly focused on European and American markets but there is minor research on emerging and developing markets. In recent years, developing economies such as Brazil, Russia, India and China have become research targets for researchers due to the emergence of BRIC-countries. Yet, there is still a lack of research on some more emerging markets like Southeast Asia (SEA). Therefore, this Master's thesis will shed light on how Western companies initiate and develop their business relationships in SEA with local business partners.

This Master's thesis provides insights into a more effective management of business relationships in SEA, especially for Western companies at their early phase entering the Southeast Asian market.

1.1. Background

Fostering international business relationships have become more and more important over times, and a popular strategy to expand and compete in new markets. However, more than 60% of these partnerships fail (Phan, Styles & Patterson 2005: 173). Business partnerships can serve as a significant source of competitive advantage to a company (Bantham, Celuch & Kasouf 2003: 265). In the research, they note the causes of the failures have been attributed primarily to an insufficient focus and understanding to form and maintain successful interpersonal relationship with their partners. In the West, business dealings have been largely based on the concept of transaction. However, business is based on social relationships in Asian countries (Hitt, Lee & Yucel 2002: 354).

Formations of networks of relationships has been a way of overcoming commercial uncertainties created by political instability in many Asian countries, the incidence of ethnicity, the lack of rule of law and in some cases the nature of the political systems (Fletcher & Fang 2006: 431). Firms competing for profits against each other in an impersonal marketplace are increasingly inadequate in a world where firms are embedded in networks of social, professional and exchange relationships with other organisation actors (Gulati, Nohria & Zaheer 2000: 203). In order to be competitive, most firms need additional resources. Therefore, they attempt to develop their own networks to gain competitive parity or competitive advantage (Gulati et al. 2000: 203; Phan et al. 2005: 173; Mohr & Spekman 1994: 135). Firms with social capital have an advantage (Hitt et al. 2002: 353). Arnold (2000: 132) claims that multinationals (MNCs) need to cooperate with local partners to benefit from their unique expertise and knowledge of their own markets since MNCs start from scratch to enter new markets. Relationship development within Asian cultures is a critical component when conducting business (Theingi, Purchase & Phungphol 2008: 523).

In a study conducted by Holmlund (2004b: 280), the author states that multifaceted character of the relationships, the temporal dimensions and the complex structure of relationships have made business relationships challenging to study. The new developing economies in Brazil, Russia, India and China, which commonly known as BRIC have attracted the attention of media and academic (Biggemann & Fam 2011: 5). As markets become global, a growing number of firms have increasingly committed themselves to search for growth opportunities beyond their home country (Sousa & Bradley 2006: 49). Several media has forecasted the growth of business opportunities in Southeast Asia (SEA). PricewaterhouseCoopers (PwC 2012) notes that SEA is a rising star of the global market due to the highly skilled but low-cost workforce. The growth can be evidenced by increasing levels of foreign direct investment (FDI) in this region (United Nations 2013). However, for a firm going international, it must often venture into the unknown (Sousa & Bradley 2006: 49) and opportunities are not risk free and still fraught with complexity and challenges for companies in business to business markets (PwC 2012; Homburg, Kuester, Beutin & Menon 2005). Companies are increasingly using local partners' market knowledge and relationships with customers

and government to adopt international business and put SEA's manufacturing competitiveness into the service of global demand.

Business relationships have many advantages as discussed above. However, business relationships are also troublesome and problematic as it takes time to develop and require different types of investment to manage it (Ford, Gadde, Håkanson & Snehota 2003). Bantham et al. (2003: 267) claim that the investments can be tangible (monetary) and intangible (emotional). The economy is changing quickly. The market trend is moving towards developing countries with environments, cultures and business etiquettes being not familiar for Western companies. Relationships involving partners from different countries are generally complex and subject to a high level of uncertainty (Burkert, Ivens & Shan 2012: 544). Certainly, it is interesting to study how Western companies initiate their business relationships in new markets.

1.2. Research gap

Two primary research gaps are defined to conduct this Master's thesis. The first research gap is defined geographically, as a lack of study on Asian markets, assuredly even more limited attention on business relationships in SEA. The second research gap is a limited study on the initial stage of business relationships. More discussion regarding the defined research gaps will be discussed at this sub-chapter.

Wilkinson (2001) discusses the history of network and channels thinking in marketing in his research. The study of interfirm relations or networks can be traced to early civilisations - however; the development has changed over the time according to economy changes. In the 1970s, the study on channel control gained increasing attention. The research methodologies of the studies are focused on distribution channels. This trend has been recognised as The First Wave of Behavioural Studies. Coming to 1980s, The Second Wave of Behavioural Studies has raised. Additionally, researchers from different continents, USA, European based Industrial Marketing and

Purchasing Group (IMP) and Australasia contribute in these developments. Each of these streams has different research agenda and research methodology.

American research are more likely to be focusing on consumer goods and adopting a stimulus response, arms-length approach to the customer with the seller is the active party. Due to the different business context in Europe which is not dominated by fast moving consumer goods but more by cross border business to business marketing with longstanding relations, interest of IMP is placed on behavioural theories from sociology and organisation theory. The famous approach by IMP, the interaction approach was proposed to stress the importance of long term exchange relations (Håkanson 1982).

The focus of IMP research is on the role and value of relationships to the parties involved. Good relationships are developed through mutual adjustment and cooperation. In contrast, American literatures are more adversarial focused and concerned about the dangers of excessive dependence, conflict and opportunism characterising being much debated in channels and strategy literature. For instance, Achrol (1991: 89) argues that network exchanges need to be on a flexible basis by insisting reciprocity as a shifting variable that cannot always be built into long-term interdependencies. Australasia literatures are based on relations and network studies having a closer relationship to IMP group as the interactive process in a relationship is emphasised. Australasia also collaborates with IMP group starting in early of 1990s to study networks by involving Asian firms (Japan).

Increased research interest has been shown in the nature and role of relations and networks in non-western, particularly Asian countries. The reason behind of this interest is due to the fact that cultures are assumed to play a prominent role in business. Till date, relationships have been extensively studied in marketing channels, industrial, and some consumer settings in Western cultural contexts such as Europe, the USA, Australia, and UK (Chattananon & Trimetsoontorn 2009: 253). Since early of 90s, research regarding the role of relationships and networks in business activities in Asia has been increased (Fletcher & Fang 2006: 430). However the researches are mainly

focused on East Asia (China, South Korea and Japan). Hitt et al. (2002) study the importance of social capital in Asian countries (China, South Korea, and Japan). Since the 1980s, IMP research has evolved to other non-European countries (particularly in Asia) but work is still based on Western European relationships (Golfetto, Salle, Borghini & Rinallo 2007: 846).

Relationship marketing has been widely researched in a domestic context; studies of cross-cultural relationship marketing remain scarce (Phan et al. 2005: 173). Business relationships in SEA are mainly based on Chinese foundations (Theingi et al. 2008: 524). Some firms may encounter prejudice when operating in other Southeast Asian countries. They attempt to overcome the problem of management networks through establishing a form of political *guanxi* with firms operating in this region. However, managing social capital in global networks represents a substantial challenge due to the complexity of relational capital in domestic networks (Hitt et al. 2002: 367). Theingi et al. (2008: 523) study the social capital in SEA due to lacking research of social capital in Southeast Asian business networks. Phan et al. (2005) examine the impact of manager's relational competence on relationship performance. The investigated study is conducted from Australian firms' perspective towards three SEA countries: Thailand, Indonesia and Malaysia.

As mentioned earlier, cultures are assumed as a prominent role in SEA business. Therefore, personal relationships and social capital are key factors to establish good business relationships. Network principles guiding economic activities are built on quite different logics and principles in SEA region compared to the Nordic region (Jansson & Ramström 2005). In the same study, the authors state a main difference of the SEA and the Nordic region - local firms' propensity for business networks is based on elaborating complex social networks. Jansson and Ramström (2005) assume that firms from Nordic and ethnic Chinese network contexts are likely to experience large challenges and difficulties when managing business relationships with each other due to different logics and principles applying to relationship process between these two network contexts. Today, Finnish or Swedish firms are increasingly present in Asia. Yet, the research with a focus on the overseas Chinese and Nordic context is very little.

Biggemann and Fam (2011: 6) claim that studies of relationship marketing and IMP group are conducted in traditional Western countries. As international business is shifting more attention to Asia and other non-western countries, the industrial network approach needs to be tested outside the western context (Fletcher 2003: 2).

The initiation of relationships is a neglected research area (Stenroos 2008). Holmen, Roos, Kallevåg, Raesfeld, Boer and Pedersen (2005) have found most empirical investigations and conceptual work focusing on developing relationships and stable relationships; only minor attention is paid to the termination of relationships while almost no attention is paid to how relationships are actually initiated. This statement is also supported by Edvardsson, Holmlund and Strandvik (2007). The authors claim it is surprisingly to notice that very little explicit attention is being researched about how business relationships arise at all.

Mortensen (2012: 1206) claims that the processes of and motivations behind business relationship building are still relatively unexplored. There is little work addressing issues about the interrelation between the characteristics of two firms that form a successful relation with each other (Wilkinson, Young & Freytag 2005: 669). Most of the research tends to be conceptual or based upon inductive exploration, which is somewhat disjointed and lacking coherence in content (Barnes 2005: 561; Yen & Barnes 2011: 346).

1.3.Objectives and delimitations

Holmen et al. (2005: 6) stress that a beginning is always a necessary condition for the development of a relationship. While companies enter new markets, there is a must to establish relationships with new counterparts. In recent years, IMP Group has published various contributions being related to the construct of network pictures (Corsaro, Ramos, Hennerberg & Naudé 2011: 919). However, conceptual and empirical studies have not provided essential details or empirical evidence about the relationship between the

parties' network view and their networking strategies within business networks. Therefore, in order to gain a more in-depth insight into the topic, the primary research objective of this Master's thesis focuses on the following:

To study the nature of business relationship types and initiation of business relationships in SEA.

Achrol (1991: 89) argues that new organisational forms will make less use of capital and resource dependencies to obtain commitment and control over system activities. To further explain, the author claims that companies will rely on norms of sharing and commitment based on trust. Morgan and Hunt (1994: 34) explore the commitment-trust theory in relationship marketing and conclude that much more work must be done in order to study the validity of this theory in establishing, developing and maintaining successful business relationships. As mentioned above, social relationships are very important in building business relationships in SEA. Holmlund (2004a: 35) concludes that commitment and trust are the most common constructs to define relationship quality. Beugelsdijk, Koen and Noorderhaven (2009: 312) also support this with various empirical data by proving that concepts of dependence, trust, commitment and communication are related to succeed in buyer-seller relations and inter-firm cooperation in general.

Social relationships, at least in some contexts, are preconditions to create trust and gain information for business exchanges (Björkman & Kock 1995: 520). However, the process to build trust and commitment is remaining abstract. Due to little study on business relationships in SEA, the management of business relationships is remained unclear. Thus, it is interesting to study how the firms manage business relationships in SEA. In order to address these issues in initiating business relationships, three main sub-objectives are defined as following:

- I. How do relationships begin in SEA?
- II. What characteristics are particular important in choosing a partner in SEA?

III. How do business partners build trust and commitment in SEA?

In order to achieve the objectives of this Master's thesis, an in-depth literature review of business relationships at its initial phase as well as social capital is conducted. Social psychology theories have always influenced and inspired business relationship research that seeks to explain relationships between companies (Mortensen 2012: 1206).

This Master's thesis intends to study how business partners attract each other when starting to contact, having motivation and willingness to engage in an efficient business relationship. The concept of attraction is acknowledged to be helpful to analyse relationships in social psychology. Mortensen (2012: 1207) claims that the concept of attraction is relatively new in explanations of initiation, motivation and development of business relationships. However, this concept may be ideally applied to understand the characteristics of the parties when to initiate a relationship. Harris et al (2003: 30) emphasise the need to focus on attraction in the explanation of dyadic relationship initiation and development due to the motivation for relationship development and a powerful explanation for relational continuity.

The social exchange theory which refers to interpersonal relationships proposes cooperation and mutual reciprocity is suitable to be used when attempting to understand business relationships (Metcalf, Frear & Krishnan 1992: 29). Therefore, the literature of behavioural theories from sociology and organisation theory are discussed widely due to the importance of social capital in SEA. Mortenson (2012: 1215) suggests that attraction is a discussion in relation trust, commitment, power and dependency and the connections between them. Harris et al. (2003: 11) referring to Byrne (1971) state that attraction is fundamentally important in interpersonal relationship development. Additionally, the management and marketing literature has devoted specific attention to issues of trust, commitments and other relational elements of a more social nature. (Rašković, Brenčič, Fransoo & Mörec 2012: 103). Cultural background influences the parties to trust and affect what is needed for building trustful relationships (Gøril, Grønhaug & Nilssen 2012: 1083).

Consequently, theoretical framework and hypotheses are created. A qualitative research method is applied in order to test the hypotheses. Semi- structured interviews have been conducted in order to collect data from expatriates from Finnish companies going to SEA. By undertaking face-to-face interviews, the likelihood to obtain more detailed information is higher in order to explore how the initial phase of business relationship in SEA is being initiated.

1.4. Definitions

Business relationship is the maintenance of the two parties' goal interdependence (Blois 1998b: 257). Ford, Gadde, Håkansson and Snehota (2011: 18) define relationship as a pattern of interaction between companies and the mutual conditioning of their behaviour that takes place over time. A relationship is a place where some kind of interaction takes place, and something is produced (Håkansson & Snehota 1995: 27). Business relationship is also viewed as a result of the action of two firms (Johanson & Smith 1992: 3).

Social capital is the relationships between individuals and organisations that facilitate action and thereby create value (Hitt, Lee & Yucel 2002: 355). Ostrom (2000: 30) defines social capital as the shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to recurrent activity. Bowles and Gintis (2002: 354) state social capital describes relationships among people.

Dyad relationship means that actors from at least two firms are involved. Dyadic relationship is a conjunction of two actors (Håkansson & Snehota 1995: 37). On the other hand, **network** is an object of analysis, meaning that there are firms in the net and at least three connected dyads are investigated (Salmi 2010: 42). Anderson, Håkansson and Johanson (1994: 2) define business network as a set of two or more connected business relationships.

Several different concepts have been applied in the **starting phase** of business relationships. Edvardson et al. (2007: 4) summarise the most common concepts as pre-relationship state (Ford 1980: 67 – 69), initiation process (Frazier 1983: 69), awareness (Dwyer, Schurr & Oh 1987: 15), interest stage (Frazier et al. 1988: 56), negotiation stage (Ring & Van de Ven 1994: 111), partner search and selection (Wilson 1995: 340), searching process (Batonda & Perry 2003a: 1463) and pre-engagement (Leonidou 2003: 130). All these different concepts will be used in this study referring to the initial phase of business relationships.

1.5. Structure of the study

This Master's thesis is categorised into two major parts which are literature review and empirical setting. An introductory chapter which contains the background of business relationships, research gap, research objectives, delimitations and definition is covered before the literature review.

Chapter two is the literature review consisting of the discussion of the existing research on business relationships which are focused on pre-developing and developing phase. This leads to the model of attraction and the elements of interaction approach. This chapter has six subchapters discussing model of attraction and interaction and communication, trust and commitment, and interdependency. This part ends with a theoretical framework to examine the development of business relationship in the SEA markets.

In an empirical setting, chapter three and four are comprise research methodology and result analysis respectively. The research approach, research design, reliability and validity are discussed at the research methodology part. The discussions with the interviewees are analysed at the following chapter. Ultimately, a summary including theoretical contributions, managerial implications and future research suggestions is presented.

2. LITERATURE REVIEW

The second chapter of this Master's thesis is provided with the literature review of business relationships. The first part of this chapter intends to shed light on the concept of business relationship and the initial phase of creating business relationships. Secondly, the concept of attraction is presented. The discussion is followed by the concept of social capital which is recognised as a crucial element to succeed in doing business in SEA. The concept of interaction and communication are discussed. The fourth part of the literature review is to discuss trust and commitment, followed by a discussion of interdependency. A theoretical framework is presented at the end of the discussion.

2.1. Concept of business relationships

Ford and Mouzas (2013: 436) state relationships activate resources and activities. The logic of business relationships is that they provide the essential means for participating actors to combine, to adapt and to develop their resources and activities directly with those of others, to indirectly access remote activities and resources from elsewhere in the network and to address their respective and common issues and problems (Ford & Mouzas 2013: 436). The authors claim that smart companies use webs of relationships to create further opportunities, to create more value than they could on their own and to shed unwanted risk.

Hsieh (1996: 13) emphasises that MNCs are being concerned about winning in Asia - in the long term they must form relationships with a view to support the whole range of growth opportunities as could be observed from previous players already winning in Asia. Having the right relationships can yield to a real competitive advantage, allowing participants to create value. Wilson & Jantrania (1993: 56) claim emerging economies should propel business to seek some form of alliance to protect and enhance their

competitive position. They believe that close relationships between firms could effectively manage the cost of transaction.

Relationships lead to a strong and continuing interdependence between specific companies due to the adaptations that are made within them to suit the particular requirements of the parties (Ford & Håkansson 2006: 250). Neves, Castro and Côté (2010: 5) affirm that real networks are being developed in order to focus on continuous and sustainable relationships. In addition, a company's strategy in the business network is a process of building, managing and exploiting relationships with others (Araujo, Dubois & Gadde 2003; Håkansson, Ford, Gadde, Snehota & Waluszewski 2009).

According to Blois (1997: 367), an existing relationship between two organisations requires an understanding of the motivation behind the observed behaviour. In business relationships, the success is not depending on the investment on one party but also depends on the efforts and intention from the other parties (Ford, Gadde, Håkansson & Snehota 2003: 18). Purchase and Ward (2003) claim the bonding of parties involved within an interaction process. This bonding consists of three important components which are reciprocity, commitment and trust. The nature of interaction between a buyer and a supplier has an important influence on their relationship (Leuthesser & Kohli 1995: 221). Interaction becomes intercultural and international, making the business relationship at least in some respects different from the purely domestic ones (Salmi 2010: 42).

Features of satisfaction, trust and commitment are considered as key determinants of relationship quality (Thorsten, Kevin & Dwayne 2002; Hewett, Money & Sharma 2002; Smith 1998). Hewett et al. (2002) comment that these features affect the buyer-seller relationship. Relationship maintenance is very important to firms in order to increase their market share and profits. Firms have to satisfy customers in each interaction, thereby building stable long-term relationships and preventing from switching partners (Chang, Wang, Chih & Tsai 2012: 940).

2.1.1. Business relationships in SEA

“*It’s not what you know but who you know*” is relevant to the concept of social capital (Hitt et al. 2002: 368). Purchase and Ward (2003:166 – 167) mention that Asian business people tend to emphasise on the relational aspects of their connections to the individual when forming business relationships. The authors have defined five characteristics of Southeast Asian business networks that differ from western business networks.

1. Each individual’s network differs due to the non-equivalence of differing normative ties – for example, the tie between immediate family members is much stronger than the tie between community members.
2. Ties are defined by the hierarchical and social position that individuals occupy within the network.
3. Networks have developed under codes of behaviour relatively to the individual’s position within the hierarchy. These pre-defined positions dictate the individual’s behaviour within the network, and each individual’s aim is to achieve a standard behavioural pattern as described in the unwritten code of behaviour.
4. Moral standards and honesty are not defined by legalized law, but are set by each person’s position within the network and the situation they encounter, and
5. Boundaries are not defined through industry characteristics, but through the social ties between individuals – as social ties are difficult to determine it makes network boundaries very difficult to determine.

Western business behaviour is focused on relationships between and among organisations. In contrast, *guanxi* is based on personal relationships developed between and among individuals (Yen & Barnes 2011: 348). In a research conducted by Itthiopassagul and Blois (1997) regarding the attitudes of Thai managers towards business relationships with their business parties, the result shows that Thai managers are very helpful in a way that they consider not only business matters but also keep in mind personal favours. Also, some of the businesses are based on verbally agreed contracts instead of written contracts. However, companies predominantly managed by

Westerners consider it as more vital to do business with a written contract. The concept of “face” which seems to be found in all the Southeast Asian countries in some form is difficult for Westerners to fully comprehend.

Palmatier, Dant, Grewal and Evans (2006: 151) suggest that customer relationships have stronger effects on exchange outcomes when their targets are individual persons, rather than an impersonal selling firm. The authors believe, by focusing on building interpersonal relationships between boundary spanners (e.g. dedicated sales person, social entertaining), it may be more effective than purely focusing on how to build and emphasise customer-firm relationships (e.g. team selling, frequency-driven loyalty programs). Gedeon, Fearne and Poole (2009: 219) summarise that the loss of a personal relationship may sometimes result in the termination of the business relationship. Nicholson, Compeau and Sethi (2001: 4) examine the role of interpersonal liking in building interpersonal trust between buyers and sellers – a trustful relationship is particularly essential as it can influence a meaningful cooperation with customers in the long run, especially important for sales representatives.

Chattananon and Trimetsoontorn (2009) explore the impact of relationship marketing among salespeople in 30 steel pipe firms in Thailand. The result from the study is the image of a company, the degree of information exchange, and time – these are key factors in contributing to the building of bonding, empathy, reciprocity and trust. These elements are significantly related to the business performance.

According to Bowles and Gintis (2002: 354), social capital describes relationships among people. In general, the authors believe that social capital refers to trust, generosity and collective action in social problem solving. Batt (2008: 487) derived the concept of social capital from Putnam (2000). Putnam addresses social capital as the connection among individuals, social networks and the norms of reciprocity and trustworthiness that arise from parties. Therefore, Batt (2008: 487 – 488) interprets social capital as mobilisation, use and benefits gained through accessing present and future resources through social, intra and inter firm networks. There are numerous definitions of social capital; however there are some common characteristics, the most

important of which is the role trust plays in gluing the network together. The author further emphasises that social capital plays a critical role in the enforcement and development of industry within developing economies. Finch, Wagner and Hynes (2010: 1021) examine that social capital is particularly important when parties draw upon close connection with economic capital, with its norms of developing and drawing upon goodwill, such as reciprocity, implying that partners undertake particular skilful and nuanced activities.

Adler and Kwon (2002) propose a dimension of social structure which consists of three different types of relations: market relations, hierarchical relations and social relations to differentiate social capital from other types of social structure. The authors claim that is the third type of relationship – social relations underlying with social capital.

Table 1. Dimension of social capital. (adapted from Adler & Kwon 2002)

Dimension	Market Relations	Hierarchical Relations	Social Relations
What is exchanged?	Goods and services for money or barter	Obedience to authority for material and spiritual security	Favours, gifts
Are terms of exchange specific or diffuse?	Specific	Diffuse (Employment contracts typically do not specify all duties of employee, only that employee will obey orders. Other hierarchical relations imply a similar up-front	Diffuse (A favour I do for you today is made in exchange for a favour and at a time yet to be determined.)

		commitment to obeying orders or laws, even those yet to be determined.)	
Are terms of exchange made explicit?	Explicit	Explicit (The employment contract is explicit in its terms and conditions, even if it is not specific. Ditto for other kinds of hierarchical relation.)	Tacit (A favour for you today is made in the tacit understanding that it will be returned someday.)
Is the exchange symmetrical?	Symmetrical	Asymmetrical (Hierarchy is a form of domination.)	Symmetrical (The time horizon is not specified or explicit, but favours eventually are returned.

Palmatier, Gopalakrishna and Houston (2006: 478) indicate that interpersonal bonds take time and effort to produce. Jansson, Johanson and Ramström (2007) propose how social relationships are established and maintained as a critical aspect in business networks. However, Halinen and Salmi (2001) summarise that personal contacts are often seen to enhance initiation of business relationships. On the other hand, the authors point out the imbalanced research focus where the emphasis in research has so far mainly been concentrated on the positive features of personal relations while there are also might be some negative effects on relationship development. Batt (2008: 489) claims that relationships are established initially through personal references and

recommendations, reinforcing the need to build and maintain an extensive network of social contacts, even with those firms with whom business is no longer conducted.

Jansson and Ramström (2005) conduct research on Chinese business networks in SEA from Nordic firms' perspectives. The authors indicate the importance to build social relationships before coming to the points of making an offer. Furthermore, the length to build a relationship is mainly influenced by the value of the potential sale and the intricacy of the buying process, and it can take from a month to over a year to build. The authors point out that performance is mostly measured with financial criteria in Nordic business networks. Therefore, the business relationship can be terminated if the performance is not satisfactory, or if the parties feel that the relationship does not work as expected. Surprisingly, Nordic firms operating in SEA work more according to the Chinese business network in a way that one party expects to continue the initiated business relationship as a friend, even if either party feels that the business relationship is not producing the desired outcomes due to the reputation protection of the company and also within the business network.

Theingi et al. (2008) suggest western partners to develop a personal understanding and business interaction in order to achieve a win-win strategy in Thailand as Thai managers do not notably differentiate between social and business aspects; they expect the social aspects to be strong and fostered before business relationships begin. A lot of literature on Asian business is rather problem focused. Therefore, everyone has pre-understandings of business relationships in Asia around the idea that business in Asia might be very difficult, especially for those that have no personal experience in Asian markets (Jansson & Ramström 2005: 12). However, one also may consider that emerging markets are undergoing changes due to globalisation. Business relationships are changing from personal to impersonal, and slightly shifting from price to quality orientation. It is believed, that business practices are becoming more western-oriented (Jansson & Ramström 2005: 12).

The Table 2 shows a brief scan of some studies on Asian business relationships. Focusing on SEA, the studies are limited to particular countries and on broader structure view.

Table 2. Studies of Asian business relationships.

Author	Title	Purpose	Scope
<i>1990-1999</i>			
Ambler, Styles & Wang 1999	The effects of channel relationships and guanxi on the performance of inter-province export ventures in the People's Republic of China	Dyadic channel relationships by comparing guanxi and Western relationship marketing	China
Björkman & Kock 1995	Social relationships and business networks: the case of western companies in China	To discuss the role played by social relationships when penetrating a foreign business network	China
Hong, Wang 1999	Co-ordination of international channel relationships: four case studies in the food industry in China	To examine the pattern of relationships between foreign manufacturing firms and local third party distributors and the effective management and co-ordination of supplier-distributors relationships	China
Itthiopassagul and Blois 1997	Business to business relationships in Thailand	To investigate the relationships between Thai companies and their organizational customers	Thailand
Itthiopassagul and Blois 1996	Managing business relationships in Thailand	To examine the applicability of previous research by interviewing Thai managers	Thailand
Lim, Linda Y.C.	The evolution of Southeast Asian business systems	Argue that the entrepreneurial family business and ethnic networks heavily dependent on personal relationships will change gradually and	Ethnic Chinese in SEA

		incompletely.	
<i>2000- Present</i>			
Barnes, Yen & Zhou 2011	Investigating guanxi dimensions and relationship outcomes: insights from Sino-Anglo business relationships	To develop and test a concept for improving Anglo-Chinese business relationships	Taiwan
Batondo & Perry 2003	Influence of culture on relationship development processes in overseas Chinese/Australian networks	To examine the impact of culture on inter-firm network development in international marketing	Australia, Singapore, Hong Kong, Taiwan
Batondo & Perry 2003	Approaches to relationship development processes in inter-firm networks	To examine the dynamics of business networks: how these inter-organisational networks grow and decline	Australia, China
Chattananon & Trimetsoontorn 2009	Relationship marketing: a Thai case	To explore the impact of relationship marketing in a Thai context by gathering both quantitative and qualitative data	Thailand
Dong, Tse & Hung 2010	Effective distributor governance in emerging markets: the salience of distributor role, relationship stages and market uncertainty	To delineate the effect of fit between governance strategies and distributor role orientations on channel outcomes	China
Gao, Ballantyne & Knight 2010	Paradoxes and guanxi dilemmas in emerging Chinese-Western intercultural relationships	To investigate guanxi dilemmas by using three paradoxes of IMP in Chinese-Western intercultural relationships	China
Hitt, Lee & Yucel 2002	The importance of social capital to the management of multinational enterprises: relational networks among Asian and Western firms	To examine the importance of three types of social capital(guanxi, kankei and inmak) in Asian countries	China, Japan and South Korea
Jansson, Johanson & Ramström 2007	Institutions and business networks: a comparative analysis of the Chinese, Russian and West European markets	To analyse the business network originating from Chinese, Russian and West European	China, Russia , Western Europe

Jansson, & Ramström	Facing the Chinese business network in Southeast Asian markets-overcoming the duality between Nordic and Chinese business networks	To study the difference of the Nordic business network model and the ethnic Chinese business network model. How these differences take shape in certain types of relationships and behaviors.	Finland, Sweden, Singapore, Malaysia and Thailand
Phan, Styles & Patterson 2005	Relational competency's role in Southeast Asia business partnerships	To examine the impact of manager's relational competence on relationship performance, mediated by interpersonal relationship quality and communication behaviour	From Australian firm's perspective to, Thailand, Indonesia and Malaysia
Purchase & Ward 2003	ARR model: cross cultural developments	To investigate cross cultural business networks between Australian engineering consultants and their Thai customers	Australia, Thailand
Racela, Chaikittisilpa & Thoumrungroje 2007	Market orientation, international business relationships and perceived export performance	To investigate and uncovering the potential effect of exporters' market orientation upon international business relationship with particular emphases on cooperation, dependence and relationship distance	Thailand
Richard Fletcher, Tony Fang 2006	Assessing the impact of culture on relationship creation and network formation in emerging Asian markets.	To develop an alternative approach to researching the impact of culture on relationship creation and network formation in Asian markets.	China
Scheu & Hu 2009	Channel power, commitment and performance towards sustainable channel relationship	To expand understanding of the sophisticated utilization of independent incentives and its influence on channel relationship	Taiwan

		commitment an performance towards sustainable channel relationship and competitive advantage	
Theingi, Purchase & Phungphol 2008	Social capital in Southeast Asian business relationships	To investigate social capital structures, opportunity, motivation and ability within export relationships in Thailand	From Thai firms' perspective to other SEA countries.
Trang, Barrett & Tho 20	Cultural sensitivity, information exchange and relationship quality: the case of Vietnamese exporters and their Asian vs European importers	To examine the relationships between cultural sensitivity, information exchange and relationship quality between Vietnamese exporters and foreign importers	Vietnam, Europe
Welch & Wilkinson 2005	Network perspectives on interfirm conflict: reassessing a critical case in international business	To see the contrasts of dyadic and network interpretations from conflict between Australian and Japanese	Australia, Japan
Woo & Ennew 2004	Business to business relationship quality: an IMP interaction-based conceptualization and measurement	To provide alternative conceptualization of business to business relationship quality based on the well-established IMP interaction model and to clarify the relationship between relationship quality and service quality	Hong Kong
Yang, Zhou & Jiang 2011	When do formal control and trust matter? A context-based analysis of the effects on marketing channel relationships in China	Apply social embeddedness theory and differentiates strong tie from weak tie relationships to reveal the role of strong versus weak social ties in leading to parallel conclusions about the relationship between formal control and trust and their effects on relationship outcomes	China

Yen & Barnes 2011	Analysing stage and duration of Anglo-Chinese business to business relationships	To analyse a series of relational variables derived from the Western industrial buyer-seller relationship and Chinese guanxi literature	Taiwan
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2.1.2. Process of business relationship development

The relationship development framework by Dwyer et al. (1987: 15) proposes the process of moving through four interrelated phases: awareness, exploration, expansion, and commitment. At the awareness phase, buyers unilaterally recognize a list of potential suppliers to conduct business with. Buyers begin to test suppliers by negotiating contract terms, setting product specifications, and placing small orders to determine if further relationship development is worthwhile. At expansion phase, buying firms make multiple purchases from suppliers or negotiate long-term contracts, and decide to seek benefits from current exchange partners rather than from alternate suppliers. Both buyers and sellers implicitly or explicitly pledge to establish stable relationships at commitment phase. Both parties will express willingness to make sacrifices to maintain their relationships and a confidence in the continuity of the relationships.

Claycomb and Frankwick (2010: 253) debate that relationship development occurs as an ongoing process and no distinct hurdles specifically identify movement from one phase to another. However, the model explains how firms establish, develop, and maintain relationships. Early interaction will tend to be purely business oriented unless any of the parties involved share prior history of interactions, or if they have been introduced by mutual acquaintances (Huang & Wilkinson 2013: 459). In addition, the initial assessment of the performance and potential of the partners are based on perception of trust and commitment (Ford 1980).

Leuthesser and Kohli (1995) study the relational behaviour of buyers and sellers. According to the authors, initiating behaviour is likely to result in superior knowledge about a buyer's requirements; the buyer is likely to perceive the supplier as being competent to meet its requirement. In addition, initiating behaviour is likely to send a signal to the buyer that the supplier genuinely cares about learning the buyer's business, and is motivated to perform in the buyer's interests. Consequently, the buyer is likely to be more satisfied with the supplier. Table 3 shows comparison of three identified business relationships development models by Ford (1980), Dwyer et al. (1987) and Wilson (1995).

Table 3. Business relationships development process. (adapted Batonda & Perry 2003a)

Dimensions	Ford (1980)	Dwyer et al. (1987)	Wilson (1995)
Searching process	<p>Phase 1 – the pre-relationship stage</p> <p>Evaluation of potential supplier based on experience uncertainty and distance</p> <p>No commitment at this stage</p>	<p>Phase 1 – awareness</p> <p>Positioning and posturing of parties to increase attractiveness to one another</p> <p>Interaction between parties has not transpired</p>	<p>Phase 1 – search and selection and assessing</p> <p>Finding and assessing appropriate potential partners based on reputation for performance and trustworthiness</p> <p>Initial interaction and social bonding may begin</p>
Starting processes	<p>Phase 2 – the early stage</p> <p>Potential suppliers are in contact with purchasers to negotiate or develop</p>	<p>Phase 2 – exploration</p> <p>Parties gauge and test the goal compatibility, integrity and</p>	<p>Phase 2 – defining purpose</p> <p>Determining and defining set of mutual goals and objectives</p>

	<p>specifications</p> <p>Testing period for potential suppliers</p>	<p>performance of the other in key sub-processes</p> <p>Termination of the fragile association is simple</p>	<p>Laying out foundation for generating common understanding and sanctioning of the relationship</p> <p>Limited commitment between parties</p>
<p>Development processes</p>	<p>Phase 3 – the development stage</p> <p>Adapting to meet needs of other companies</p> <p>Honouring contacts and integration aspects</p> <p>Joint planning of responsibilities</p>	<p>Phase 3 – expansion</p> <p>Continued increase in benefits and interdependence</p> <p>Trust and joint satisfaction lead to increased risk taking</p> <p>Additional gratification sought from the current exchange partners</p>	<p>Phase 3 – boundary definition</p> <p>Defining set of informal rules on how partners may call on resources</p> <p>Commitment of resources and people to complete tasks</p> <p>Adaptation of process and product or services to accommodate partners</p>
			<p>Phase 4 – value creation</p> <p>Creation of value through synergistic combination of partners' strengths and better cost</p>

			management in all aspects of firm's operations Sharing of value depending on power/dependence relationship and structural bonding
Maintenance processes	<p>Phase 4 – the long-term stage</p> <p>Characterised by companies' mutual importance to each other</p> <p>Institutionalised patterns behaviour</p> <p>Phase 5 – the final stage</p> <p>Long established and stable markets</p> <p>Extension of the institutionalisation process</p>	<p>Phase 4 – commitment</p> <p>Relational continuity between exchange partners measured by inputs, durability and consistency</p> <p>Partners resolve conflict and adapt fuelled by the ongoing benefits accruing to each partner</p>	<p>Phase 5 - hybrid stability</p> <p>Commitment develops through combinations of key variables such as trust, performance and satisfaction</p> <p>Stable relationships result from partners' active involvement</p>
Termination processes		<p>Phase 5 – dissolution</p> <p>The costs of continuation of modification outweigh the benefits</p> <p>Emphasis on</p>	

		bilateral efforts for relationship development ; but dissolution is more easily initiated unilaterally	
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2.2.Model of attraction

Attraction is important as this concept can be applied to highlight the future expectations of business relationships (Mortensen 2012: 1207). Wilkinson et al. (2005: 670) suggest that partners are attractive to each other because they have skills and/or technologies the other counterpart might lacking, but sufficient similarity is needed to be able to mesh one's own operations with theirs. The authors mention the right combination of similarities and complementariness leads to a relationship that is more likely to survive and grow. According to Dwyer et al. (1987: 12), the basis for future collaboration may be supported by implicit and explicit assumptions – trust and planning.

Harris et al. (2003: 12) define attraction practically as the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility. The authors further explain that attraction judgements are made on a continuous basis and as such will determine the nature of the relationship as it progresses. Once the parties interact, this knowledge is updated and used in the next interaction. The model of attraction is developed from the social exchange theory which includes three behavioural constraints: expected value, trust and dependence (Hald, Cordón & Vollmann 2009). Social exchange is defined as “voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others” (Hald et al. 2009: 961; Blau 1964). This theory is

originally examined via interpersonal exchanges; however it has been extended to study relationship in different circumstances such as organizations between their partners, relationships between organizations and their environment (Levine & White 1961: 584; Jacobs 1974). Several researchers of business relationships have claimed that the social exchange theory is a relevant and fruitful theoretical perspective to examine business relationships due to its ability to integrate the relationship value perspective (Walter, Müller, Helfert & Ritter 2003; Walter, Ritter & Gemünden 2001), the trust perspective (Morgan & Hunt, 1994), and the power or dependence perspective (Anderson & Narus 1990; Jarratt & Morrison 2003).

Dwyer et al. (1987: 16) argue that mutual attraction is important in developing relationships. It is also argued that this can be achieved through a range of perceptual approaches and actions, which enhance the performance between the parties being involved (Hald et al 2009: 960). In the model developed by Harris et al. (2003), the authors suggest determinants of the social exchange theory, as economic and resource elements to attraction have an impact on trust, commitment and interaction. Ellarm (1990) analyses the factors that are important to buyers engaging in a long-term partnership; showing that matched characteristics in terms of the following are particular very important:

1. Financial issues – economic performance and financial stability.
2. Organizational culture and strategic issues – feelings of trust, management attitude and outlook for the future, strategic fit, top management compatibility across levels and functions of buyer and supplier firms, suppliers' organizational structure and personnel.
3. Technological issues – assessment of current manufacturing facilities/capabilities, assessment of future manufacturing capabilities, supplier's design capabilities and speed in development.
4. Other factors include safety record of the supplier, business references, and supplier's customer base.

On the other hand, Turnbull, Ford & Cunningham (1996: 47 – 48) categorise the matching resources that companies should seek for into three categories which are financial resources, company's network position and the skills companies are possessing.

Wilkinson et al. (2005: 673 – 674) find that firms prefer partnerships with those that are geographically, socially and/or psychically proximate to them. Therefore, firms who share similar objectives, attitudes, business philosophy, similar education, experience, and environments are more likely to build partnerships. In the research, the authors also indicate that the best matching firms may also be a firm's direct competitors. Other than that, firms will seek partnerships with those displaying characteristics that reflect competitive fitness including the internal resources, skills and competences that are not so obvious to an outside observer, as well as external, more visible characteristics. The authors refer to Heider (1958) saying that some factors contribute to the formation of positive linkages between entities in relationships such as proximity, more frequent contact, familiarity, similarity of beliefs and goals, predisposition towards certain sentiments and perception of potential benefits. Supplier's service quality has become an integral part of the vendor-selecting process and a prerequisite for establishing a business relationship (Homburg, Kuester, Beutin & Menon 2005).

Webster and Wind (1972: 13) suggest that motives overlap in many important respects and need not to conflict; a strong sense of personal involvement can create more effective buying decisions from an organisational standpoint. Blois (1997: 370) addresses the fact that relationships should involve investments. However, should the investment be made to extend the distribution network rather than to build or strengthen a number of individual business relationships? In order to answer this, he suggests that all investment decisions should involve a degree of qualitative assessment and a proper interpretation of the information.

2.3. Interaction and communication

The interaction model from Håkansson (1982) believes that buyer-seller relationships in business-to-business markets evolve dynamically over time and follow a relationship development process. Interaction means that no action by an individual is either isolated or independent (Ford & Håkansson 2006: 252). Leuthesser and Kohli (1995: 223) suggest that more frequent interactions are more likely to lead to the receipt of a greater amount of information; consequently reducing the uncertainty and ambiguity of both parties. Webster and Wind (1972: 14) mention that relationships with one another involve all the complexities of interpersonal interactions and it is influenced through the subsystems of task, structure (communication, authority, status, rewards, and work flow), technology and people.

Öberg (2010) believes that business relationships of intercompany are built on interactions at the operational levels. Based on the day-to-day activities on operational levels, closeness would expectedly be greater on local levels than on top management levels. Huang and Wilkinson (2013: 460) indicate that interactions may take place in both social and business settings including social events, business meetings and encounters, communications and the negotiation and carrying out of marketing transactions between the parties. Nicholson et al. (2001: 6) believe that frequency of personal interaction is important in building trust due to the reason that increasing frequency in interactions enhances the likelihood to exchange information. Ford (1980: 71) states that both parties are likely to be involved in adaptations with regard to their own processes in order to accommodate with each other through an intensified interaction.

Phan et al. (2005) find out that communication quality is a crucial element of international business relationship managers' communication behaviour. The authors get insights from Australian partners regarding open, honest and frequent communication with partners – these are important factors to succeed in international business relationships in SEA as that enables partners to talk about problems, keeping each other informed and having frequent interactions. Moreover, Biggemann and Buttle

(2009: 550) propose that communication processes have an effect on the attributes of relationships and are essential in relationship development. Bantham et al. (2003) conclude that surrounded by an increasingly electronic-driven communication environment (i.e. characterized by heavy reliance on e-mail, fax, and shared database), face-to-face communication is critical for the success in a business partnership. Additionally, silence is communicative as well since parties can give meaning to it (Biggemann & Buttle 2009: 550).

According to Mohr and Spekman (1994), communication is deemed to be a key indicator of a partnership's vitality and it captures the utility of the information exchanged. The authors summarise that more successful partnerships are expected to exhibit higher levels of communication quality, more information sharing between partners, and more common participation in planning and goal setting. Gøril, Grønhaug and Nilssen (2012: 1082) emphasise that communication and exchange of information is important for building trust and reducing external uncertainties.

2.4. Trust and commitment

Trust has been identified as a critical variable to establish relationships at the early interaction stage (Heffernan 2004). The author further explains that relationships are built at many different levels at the early interaction stage, but it is based on one of mutual respect, and mutual trust. According to Kumar (1996: 92), partners that trust each other generate greater profits, serve customers better, and are more adaptable. Nicholson et al. (2001: 4) define trust as confidence in the other party's reliability and integrity. Black (2008: 47) suggests that trust and commitment lead to cooperative behaviours being conducive to relationship maintenance. The author believes that interpersonal relationships are basic features of all social situations to demand cooperation and interdependence. However, individuals must decide whether the risk becoming vulnerable and dependent is worth the risk involved.

Spekman (1988: 79) states that mutual trust is the cornerstone for strategic partnerships. There has also been a growing use of the concept of trust concerned with business to business relationship (Blois 1998a). Uzzi (1997) views trust as an expression of the belief that exchange partners would not act in self-interest at another's expense and appeared to operate like a predilection to assume the best when interpreting another's motives and actions. The heuristic quality is important as it speeds up decision making and conserves cognitive resources. Trust and mutual dependence between parties have been suggested as central factors in motivating each party to develop successful and jointly beneficial exchange relationships (Hewett & Bearden, 2001; Morgan & Hunt, 1994: 33). Kumar (1996: 95) states that the immediate response of most managers was that trust involves dependability. Uzzi (1997) claims that trust is important in exchanging relationships, as it enriches the firm's opportunities to access resources. Trust is seen as a fundamental ingredient in the presentation of oneself being an attractive partner (Blau 1964). Blau also claims that trust will be developed through a regular discharge of obligations or by reciprocating for benefits received. Also, trust may be developed through the gradual expansion of exchanges over time. Creating trust is fundamentally a social process as it is linked to a governance structure residing in the social relationship and expectations expressing emergent features of a social structure that is created and reproduced through time (Uzzi 1997).

Huang and Wilkinson (2013: 460 – 463) propose that trust changes depending on the experience, outcomes of the actions, interactions and other events taking places over time in the focal as well as in connected relations. Blois (1997: 379) summarises that trust underpins effective relationships. However, trust cannot be created but evolves. It is often over a quite lengthy period of time built, and trust is based upon relationships between individuals, but not organisations. The give and take in relationships often only produces equitable responses over a period of time and a great deal of trust may be required by one or both parties (Blois 1997: 369; Blois 1998b: 257). Trust has always been a part of business relationships and it is a construct in most models of long term relationships (Wilson & Jantrania 1993: 56). Jarillo (1988: 37) suggests that it may be more appropriate to emphasise on long-term relationships, in order to develop trust as it points out that the relationship by itself is considered as being valuable. Trust tends to

be developed when one has helped another party, since one assumes that the other counterpart will reciprocate one's helpful behaviour (Pruitt 1983: 183).

Spekman (1988: 81) indicates that commitment is nurtured by mutual trust and open communication. Hence, both the buyer and seller must invest in the relationship by showing commitment. In addition, the author believes short term contracts, price-driven negotiations and the implicit threat of future supply-allocation adjustments are not likely to engender commitment. Pruitt (1983: 181) states that problem solving seems to be more feasible and less costly if trust exists between the parties. Feasible trust in problem solving more likely can be found in mutual beneficial relationships due to the fact that a trusted partner can be expected to support the search in order to come up with appropriate solutions.

Commitment is an explicit or implicit pledge of relational continuity in a relationship (Dwyer et al. 1987: 19). Beugelsdijk, Koen and Noorderhaven (2009: 313) believe that commitment is likely to influence the relationship performance as partners are more prepared to make sacrifices to make the relationship successful. Rašković, Brenčić, Fransoo and Mörec (2012) summarise that marketing literature has mainly addressed the issue of the impact of trust and commitment on buyer satisfaction and loyalty. Furthermore, they explain that trust can be categorised in two levels: interpersonal and interorganisational trust.

Lenney and Easton (2009: 553) define commitment as an agreement between two or more social actors to carry out future actions. The authors also note that commitment is used alongside "trust" to describe positive affective, attitudinal and behavioural aspects of relationships between parties which are likely to lead to the continuation of a relationship in B2B business relationships. Commitment represents a long-term orientation towards a relationship. Rusbult and Buunk (1993) indicate that strong commitment not only makes individuals more likely to remain with their partners, but also promotes a variety of relationship maintenance behaviour such as adaptive social comparison and perceived relationship superiority, effective management of jealousy

and extra relationship involvement, willingness to sacrifice for the good of a relationship, and tendencies to accommodate rather than retaliate when a partner behaves poorly.

Lenney and Easton (2009: 557) address the nature of commitment as being crucially affected by social capital existing between the parties involved, and also by the number and historical commitments that have been made and fulfilled. In addition, none of the commitments are entirely mutual or balanced; therefore, a commitment only can happen in exchange form. In a research conducted by Theingi et al. (2008) from the ethnic Chinese perspective in Thailand, the relationship between social capital and the concepts of *renqing*, *guanxi* and *xinyong* have been collectively received increasing attention. The results indicate that it was not uncommon to invest six to 24 months in only building the relationship before any exchange of goods or services took place. Furthermore, the commitment is extended to the need, on occasions, to support business partners who were in trouble in the expectation that such favours would be reciprocated in the future. Matters which do not fall within the contract are handled as well as it fosters the quality of a relationship (Blois 1997: 368).

Mutual trust grows stronger, thus enhancing satisfaction within the exchange relationship (Dong, Tse & Hung 2010: 5; Leuthesser & Kohli 1995: 224). Siguaw, Simpson and Baker (1998) find out that trust, cooperative norms and commitment have a direct effect on the distributor's satisfaction with its financial performance and this finding indicates the distributor's market orientation and commitment to the relationships. Gøril, Grønhaug and Nilssen (2012) believe that trust, communication or information-sharing, power dependence symmetry and commitment are the few antecedents to influence satisfaction in cross-national business relationships. Lewis and Weigert (1985: 464) analyse that trust is built upon the mutual involvement of participants with personal knowledge and institutional attributes of trusted individuals. At an early stage, people only trust to each other when evidence is given that the other party is trustworthy. However, as trust is gradually established and deepened; the parties no longer need rational reasons to trust each other.

Campbell (1997) mentions that mutuality norms presume that both parties recognise the ongoing value of maintaining the relationship in order to reap shared gains whereas compliance presumes that constraints on behaviour stem from references to outside constituents. Coordinated activities and reciprocal behaviours resulting from mutual expectations strengthen the closeness of relationships. Consequently, it leads to cooperation and commitment. Gil-Gaura, Deltora and Taulet (2009) present that relationship value is contributing to generate trust, commitment and satisfaction in relationships.

As the amount of evidence about the trustworthiness is increased, the partners will see more potential benefits from the relationship and are more willing to commit resources to the relationships (Black 2008: 49). Rylander, Strutton and Pelton (1997: 59 – 60) debate that commitment is more likely to be a personal involving in social interaction, process among individual actors representing partner organisations. Commitment is an essential part of a successful long-term relationship and connected across many complex responsibilities and multiple tasks (Gundlach, Achrol & Mentzer 1995: 78).

2.5. Interdependency

The starting point of relationship development strategies is the interdependence of companies (Turnbull, Ford & Cunningham 1996: 47). The interdependence could be happen in different kind of forms. For instance, the need to generate revenue from other companies for continuous development, the need to use the knowledge and abilities of others, the need to acquire certain knowledge of other companies for itself or the wish to develop its own knowledge through interaction with the other company. When business relationships go mature, resources and activities involved become interdependent (Abrahamsen, Hennerberg & Naudé 2012: 260).

Interdependency is concerned with how individuals in relationships influence each other and the nature of their interaction in obtaining valued outcome (Bantham et al. 2003:

266). Blois (1997: 369) discusses that business relationships may have an effect due to the changes in organisations. The author further explains that organisations do not make decisions but the people make it in the name of organisations. Unless protected with tight legal contracts, otherwise the interpretation of reciprocal relies on the behaviour of individuals. The effects happen on both parties when the individuals decide to leave organisations.

Dependence is an actor's expectation of another as being valuable (Hald et al. 2009: 962). The authors summarise that dependency is increasing as a relationship is growing with the increases in exchanged rewards. Reciprocity implies cooperation, collaboration, and coordination between the parties (Cooper & Gardner 1993: 17). Dwyer et al. (1987: 12) state that dependence is prolonged, performance is less obvious, uncertainty lead to deeper communication, the rudiment of cooperative planning and anticipation of conflict arise, and expectations of trustworthiness may be cured by personal characteristics.

According to Palmatier, Dant, Grewal and Evans (2006: 140), cooperation captures the level of coordinated and complementary actions between exchange partners in their efforts to achieve mutual goals. The parties must have enough trust in the relationship to wait for its future reciprocation. Holm, Eriksson and Johanson (1999: 467 – 479) develop a structural model through investigating the cooperation of Ericsson with Tokyo Digital Phone. They point out that from a strategic perspective, the critical issue is not to avoid becoming dependent on the other party but to build and sustain mutual commitment enabling both partners to engage in value-creating coordination of interdependent activities.

Palmatier, Dant, Grewal & Evans (2006: 150) argue that dependence is not very effective in building relationships though it can improve performance. However, this strategy may increase switching costs and barriers to exit. A higher openness and interactivity of relationships contributes to a higher awareness of interdependence.

Hence, this awareness of interdependencies consequently initiates the parties to invest in new resources, capabilities and activities (Roseira, Brito & Hennerberg 2010: 933).

2.6. Theoretical framework

Dwyer et al. (1987: 12) and Mortensen (2012) consider that relationships exist between the concept of attraction, trust and commitment. The authors support the fact that attraction should be seen as an independent concept being linked, thus affecting the concept of trust and commitment. Hence, a theoretical framework is proposed accordingly.

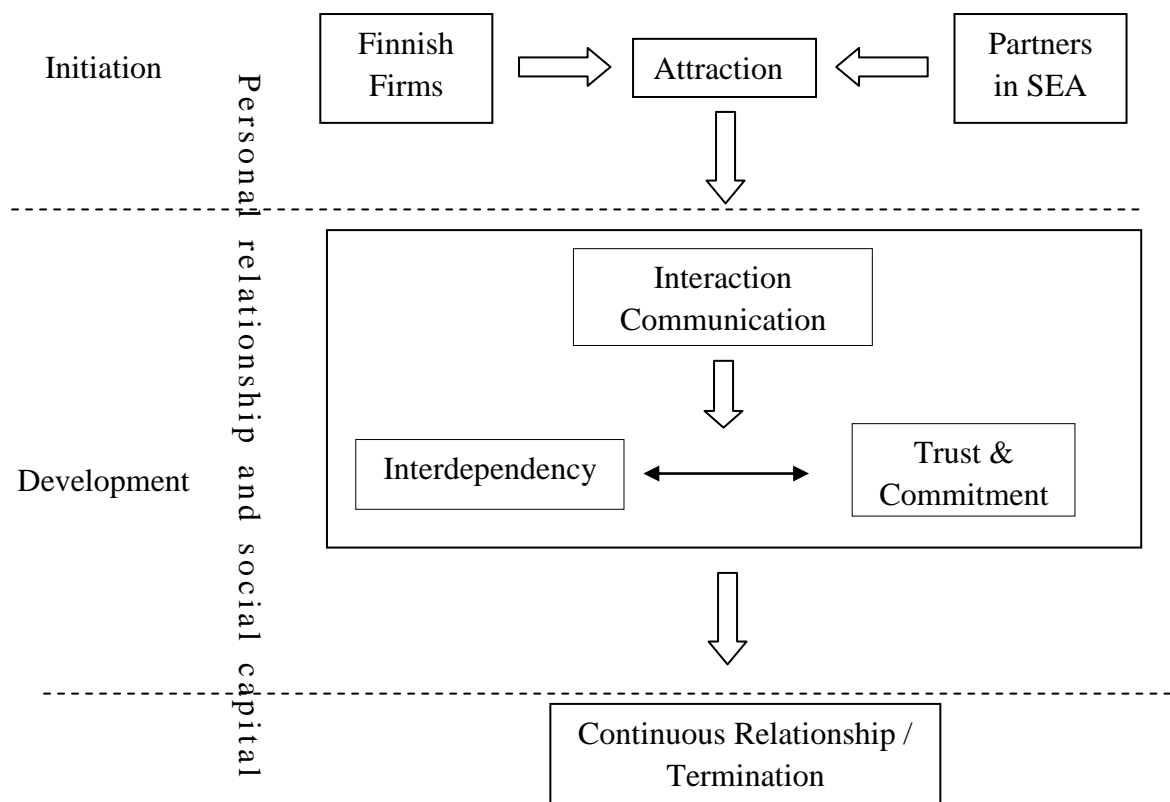


Figure 1. Theoretical framework.

According to the theoretical framework, three stages of business relationship development process are presented: initiation stage, development stage, and continuous

/ termination stage. In SEA, business relationships are more likely being generated by personal relationships from the initiation stage to the continuous stage. At the initiation stage, Finnish companies and local partners from SEA are attracted to each other with their own 'agenda', which means that both parties require resources from the other party. It could be either the Finnish companies starting to take the initiative to approach the potential local candidate or vice versa. The beginning of the initial interaction process is most likely being influenced by personal relationships –an intensified mutual interaction and communication process supports to build trust and commitment between the partnerships. Furthermore, it may also help to increase interdependency of both parties. An efficient and effective communication and interaction process would bring the business relationships to further development towards the common business goal. However, unsatisfied interaction performance could result in creating less trust and commitment. Therefore, a termination relationship may happen.

3. RESEARCH METHODOLOGY

In this chapter, research approach and research design will be discussed; followed by data collection. A discussion of reliability and validity also will be presented at the end of this chapter.

3.1. Research approach

Gummesson (2003: 483) suggests that research methodologies have to be adapted to reality in a way that B2B firms live with complexity, ambiguity, chaos, uncertainty, fuzzy, boundaries and continuous changes in both technology and the marketplace. Shaw (1999: 60) indicates that the qualitative approach encourages the development of practical and theoretical understanding and is appropriate for the generation of new and alternative theories and concepts.

Interpretive and qualitative methodology is adapted in this study by applying an adductive approach. This study is an exploratory study as the research objective is to study how Western companies manage their business relationships in SEA. Due to the limited business relationships research in this region, an exploratory research method is applied. Exploratory studies are a valuable means of finding out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson 2002: 59). It is particularly a useful approach to clarify the understanding of a problem (Saunders, Lewis & Thornhill 2007: 133).

Each business partner is embedded in their national, cultural and political context. This affects the intercultural interaction between international business partners. One should acknowledge two important factors: the context of the business partner and the context of the researcher in studying business relationships. Consequently, proper tools can be found in interpretive methodologies that network scholars often use (Salmi 2010: 42). Bantman et al. (2003: 270) mention that this methodology focuses on developing a

deep and rich understanding of the dynamics presented within settings. The primary unit of the analysis for the study is the partnership, focusing on the individual's perceptions of the relationship.

According to Saunders et al. (2007: 107), interpretive methodology has been believed as highly appropriate in the study of business and management research, particularly in organisational behaviour, marketing and human resource management due to the business situations complexity and also its uniqueness. What might be generally accepted as per today may not be applicable in the ever-changing world for business organisations in future. Zaefarian, Hennerberg and Naudé (2011: 866) state that interpretive sense-making on the part of the researcher, allows research to seek for meaning and in consequence limited superficial explanations. Qualitative design is more appropriate for the multidimensional of research questions compared to quantitative design (Maylor & Blackmon 2005). By consideration of the exploratory nature of the research, the qualitative research approach allows the researcher to view the research problem in its entirety, get close to participants, penetrate their realities and interpret informants' perception as appropriate (Shaw 1999: 62).

Saunders et al. (2007: 57) mention that a theoretical or conceptual framework firstly needs to be developed, and subsequently tested by using data at deductive approach. In general, a deductive approach requires testable proposition about the relationship between two or more concepts or variables (Saunders et al. 2007: 117). According to the authors, deductive tends to construct a rigid and highly structured methodology that does not permit alternative explanations of what is going on.

On the other hand, inductive approach enables a cause-effect link to be made between particular variables without an understanding of the way in which humans interpret their social world (Saunders et al. 2007: 117). The inductive approach is more appropriate to work with if there is little existing literature. By generating data, followed by analysing and reflecting theoretical themes meaningful data are suggested. The strength of inductive research is in developing and understanding a specific topic. The data would

be collected and theory will be developed as a result of the data analysis. The authors also suggest that if there is a lack of prior knowledge of a subject, one simply may not be in a position to frame a hypothesis because s/he has insufficient understanding of the topic to do this. Furthermore, Gao, Ballantyne and Knight (2010) conducted a study of Chinese-Western intercultural relationships by using the inductive theory. Gummesson (2003: 488) claims that inductive research lets the reality tell its story on its own terms and not on the terms of received theory and accepted concepts especially in a B2B business environment.

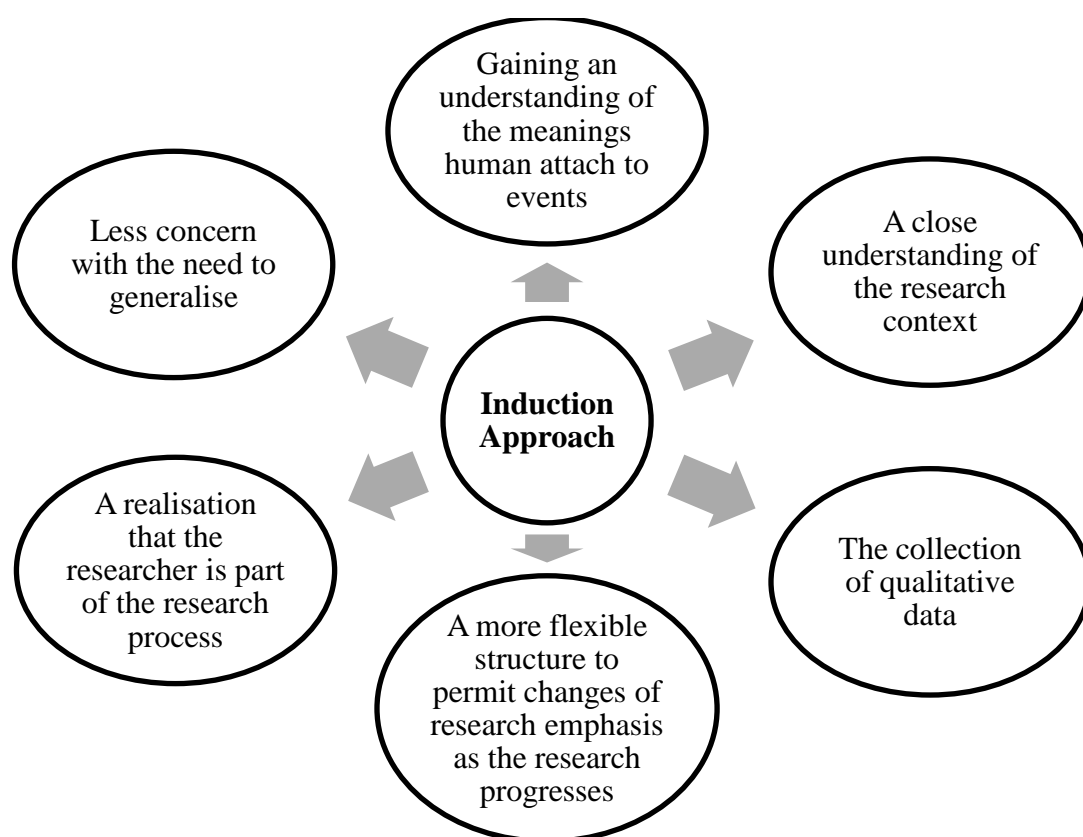


Figure 2. Emphasis of induction approach to research. (adapted from Saunders et al 2007)

The research objective of this Master's thesis is to explore the initiation of business relationships in SEA. The research on business relationships in SEA and initiation of business relationships are, as already mentioned, limited and not up-to date to the current economy. However, research of business relationships have a long historical and

consolidated background. Therefore, a combination of deductive and inductive approach is considered to apply in this Master's thesis. Abduction approach is the middle ground between induction and deduction (Patokorpi & Ahvenainen 2009: 216; Svennevig 1997). Abduction-based design is a proactive tool to connect basic research to applied research, consequently to explore and exploit the truth innovatively (Patokorpi & Ahvenainen 2009: 216). In studies relying on abduction, the original framework is successively modified (Dubois & Gadde 2002: 559).

In order to conduct a more scientific sense of study, this Master's thesis has applied 'systematic combining', being grounded in an abductive approach of case study, a research strategy proposed by Dubois and Gadde (2002). According to the authors (2002: 554), systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously. In systematic combining, the authors argue that there is no need to review all of the literature review beforehand as it might pose obstacles to the desired process, hence, researcher would not be able even to identify "all the literature" since the empirical fieldwork parallels the theoretical conceptualisation. In fact, the "need" for theory is created in the process (2002: 559).

There are two processes in this approach. Firstly it is the matching theory and reality, and secondly, the direction and redirection. These two processes affect and are being affected by four major factors: what is going on in reality, available theories, the case that gradually evolves, and the analytical framework. In "matching" sections, the literature review, already discussed in chapter two evolved with an imaginary theoretical framework matching with the case studies in the empirical analysis. The matching process may be derived from various directions. Direction and redirection needs to be applied from different sources of data and different methods to collect data in order to discover new dimensions of the research problem (2002: 556). Figure 3 shows the research methodology has applied in this Master's thesis.

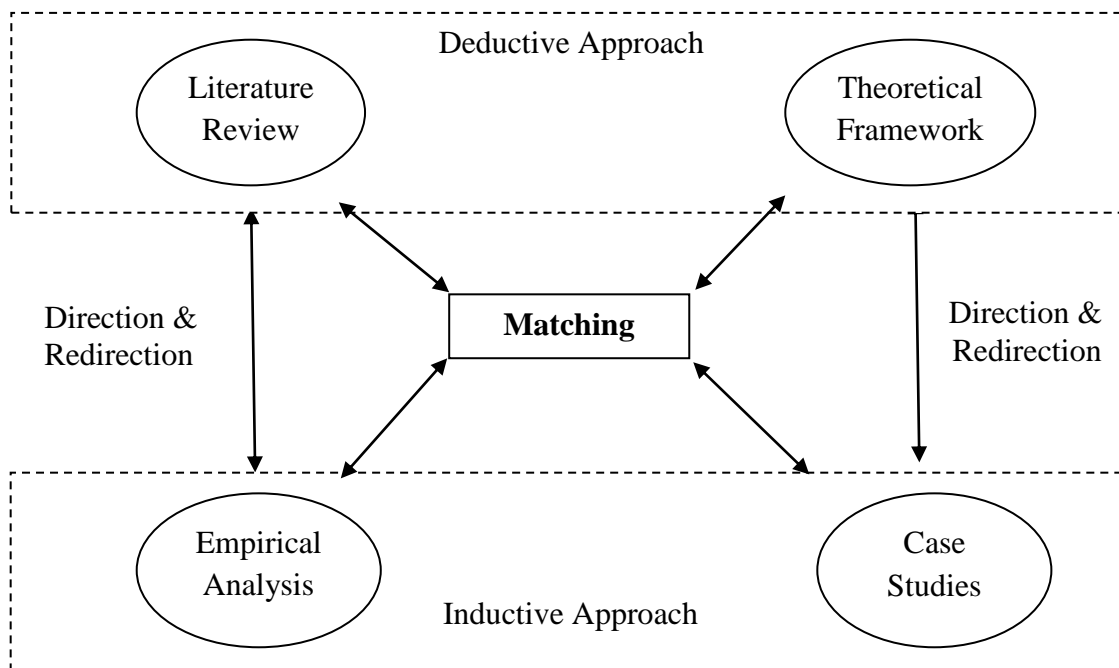


Figure 3. Systematic combining. (adapted from Dubois & Gadde 2002)

3.2. Research design

The purpose of this Master's thesis is to study how western companies manage business relationships in SEA. Case studies are common research strategy used in industrial network research (Dubois & Gadde 2002: 553). A qualitative research method with multiple case studies strategy is applied in this study. A case study strategy enables one to generate answers regarding the question "why?" as well as the "what?" and "how?" questions. Additionally, a case study strategy is most often used in explanatory and exploratory research (Saunders et al. 2007: 139). The reason for that is to focus upon the need to figure out whether the findings of the first case occur in another case as well and also to explore existing theory (Saunders et al. 2007: 140). This Master's thesis has applied research strategy combines with semi-structured and in-depth interviews. Semi-structured and in-depth interviews provide the opportunity to probe answers where the interviewer wants interviewees to further explain their responses (Saunders et al. 2007: 315). Therefore, semi-structured and in-depth interviews will be adopted in this study due to the exploratory nature of this thesis topic.

Holmlund (2004a: 40) suggests that personal interviews are the ways to get most relevant data because the focus is on perceptions on the involved individuals as informants being asked to recall the relationships as they experienced it – both in real time and in retrospect. The author also agrees with the dynamic point of view as this one may concern both the process and outcome aspects of the interactions in the relationship. Saunders et al. (2007: 312) mention that semi-structured interviews are conducted with a list of themes and questions to be covered. However, they may vary from interview to interview. Shaw (1999: 62) suggests that the design used to guide the collection and analysis of data have to be flexible enough to permit the researcher to uncover and explore issues which emerged as interesting and potentially capable of understanding the substantive research problem. Therefore, face-to-face on one-to-one basic interview is the best method to conduct these semi-structured interviews as it allows researcher to discuss into more detail. This method is ideally to probe answers where researcher wants interviewees to explain, or build on their responses.

In addition, this may lead researcher into areas that s/he wants to have in-depth data and area that previously not being considered but are significant for understanding (Saunders et al. 2007: 315 – 316). Guest, Namey & Mitchell (2013: 31) indicate that the advantages of a less structured approach comes with some trade-offs. For instance, it is difficult to compare responses between participants meaningfully. Therefore, structured and semi-structured interviews help to minimise the problem and are much better suited to comparative analysis. Video calling could be an option if it is more convenient to the potential interviewee. From the study Yin (2003: 7), the author suggests that questions based on “how” and “why” are the most appropriate for exploratory studies. Thus, the questions of interviews are based on “how” and “why” to explore issues regarding business relationships in SEA.

Analysis of an international relationship (dyad) means that actors from at least two countries are involved (Salmi 2010: 42). Firstly, this study is to study the business relationships in SEA from a western company’s perspective. Secondly, the study scope of this thesis is from the beginning of the relationships and how it develops to become a quality business relationship. Therefore, it is essential to ensure that the candidate is

capable of contributing to insights and the understanding of the phenomena being studied (Batonda & Perry 2003b: 1559). Hence, the criteria to select interviewees are determined as follow:

- a. S/he must be working for a Finnish manufacturing company.
- b. S/he must have several years of experience in doing business in SEA.
- c. S/he is still having a on-going business relationship in SEA.

In order to ensure that the selected interviewee still has a business relationship in SEA, additional criteria on current serving companies has been determined. Criteria to select companies are as follow:

- a. Any manufacturing firm from Finland having active business in SEA.
- b. Must have at least a representative office in the SEA region as the study is not focusing on exporting (indirect) business but is to study how western companies deal the business directly in this region.

The role of linguistics is critical in international studies, as the language is affecting interviews (Marschan-Piekkari & Reis 2004; Salmi 2010: 44). Ideally, the interviews are conducted in the mother tongues of the interviewees as language is tied with cultural understanding (Salmi 2010: 44). In this Master's thesis, the interviews will be conducted in English. It was decided that all interviews are audio recorded, and then transcribed for an in-depth analysis (Zaefarian et al. 2011: 867). Holmlund (2004a: 41) mentions that this is a proper condition for retrieving the interviews in order to come up with a detailed analysis.

The interview questions are based on the research literature of the investigated pre-stage and developing stage of business relationships in SEA. Interview guides are used as checklists as well as to encourage significant issues and stress on getting examples to clarify general issues (Holmlund 2004a: 40). The covered main categories are criteria of business partners, selection process, interaction frequency and methods, importance of

personal relationships and its relation to business relationships in SEA, trust and commitment, conflicts, and quality of business relationships. The questions are designed from the range of pre-stage to the maintenance stage of relationships. Furthermore, few questions of termination are prepared in case any discussion should be led into this direction.

3.3. Data Collection

Shaw (1999: 64) stresses researchers cannot remain distant from and being uninvolved in the social phenomenon in which they are interested. Instead, the researchers must adopt a role, such as “researcher as instrument for data collection”, which allows to get close to social subjects to be able to discover, interpret and understand participants’ perspectives of social reality. Invitation emails were sent to companies for the interview. General information about the thesis and reasons to invite the company in order to be part of the thesis topic were stated in the email. It has been explained that the interview will be audio recorded in the invitation emails. However, it has been stated that their anonymity will be ensured in the email. Once the confirmation emails were received, the interview questions were sent to the person for her/his convenience in order to be prepared in advance.

Three interviews were conducted at interviewee’s companies and one interview was conducted via support of electronic media (Skype). The data were collected through face-to-face interview and video Skype interview with the person who are or were responsible for the business in SEA. All the interviews were conducted in English. Basically, the duration of the interviews lasted from one hour to three hours. As already mentioned, each interview was audio recorded with the permission of interviewees. According to Saunders et al. (2007: 334), advantages of audio recorded interviews are stated as below:

1. Allows the interviewer to concentrate on questioning and listening

2. Allows questions formulated at an interview to be accurately recorded for use in later interviews where appropriate
3. One can re-listen to the interview
4. Accurate and unbiased record is provided
5. Allow direct quotes to be used
6. Permanent record for others to use

Prior of the interviews, interviewees were asked to give a brief record of their business experience in SEA and the companies' background in SEA. The interviews were following the interview guide. Nevertheless, as the data collection process progressed, the interview framing was adapted and new questions were developed on the basis of the detailed answers and examples given by the interviewees. During the interviews, questions of what, how and why were used to address the business relationships dynamics.

Consequently, the interviews are transcribed. The transcribed interviews from each interview consist of 16 to 35 pages. These transcribed interviews are used as an important source of data (Brito 1999: 100). According to Brito (1999), cross-case analysis is applied for the data analysis as this method is mainly exploratory and explanatory in nature. Basically cross-case analysis involves three basic steps:

1. Searching for similarities amongst the cases analysed.
2. Evaluating whether such similarities were causally relevant to the phenomenon under study.
3. Formulating general explanations on the basis of the similarities found.

In total, four interviews are conducted with companies where headquarters are based in Vaasa, Finland. During the interview sessions, interviewees used examples mostly from the current companies which they are serving. However, the interviewees also mentioned some comparisons with different companies based on their experience in

SEA in order to explain their statements. At the next section, a brief introduction for each interview and the interviewees is presented.

3.3.1. Interview I

The first interview was conducted with Interviewee K at company K. Interviewee K from company K is Finnish. He served company K as president and CEO. He was an expatriate in Hong Kong in 90s for another Finnish company. His business experience in Asia is approximately 20 years and about 11 years experience in the SEA market. He is responsible on monitoring the business in all regions including SEA.

The company is an expert in plastic pipe industrial, infrastructure, building applications, environmental and low-energy products, pre-insulated pipe systems, special machinery and production technology. The company's headquarter is in Vaasa, Finland. Company K has ten production units across Europe, Thailand and Canada. Moreover, the company has five sales offices in Europe, Southeast Asia and North America. In SEA, company has active business in Thailand, Philippines, Vietnam, Burma, Laos, Malaysia and Indonesia. In addition, company K has 1,180 of personnel in total. As in year 2012, company K has approximately 248 million EUR of turnover.

This company started the business in SEA since 1980, in Thailand by selling a project. During that time, business partners from Thailand approached company K in order to get massive amount of plastic pipes as there was no production of big pipes in Thailand at that time. Company K shifted the production line to Thailand and produced the pipes in Thailand.

3.3.2. Interview II

The second interview was conducted with Interviewee W from Company W via Skype. Interviewee W is a Thai, non-Finnish. The interviewee is the CEO of a SEA regional

centre for Company K. He has fruitful experience in Australian and Singaporean construction companies, and expertise in developing business in SEA, mainly in Thailand market.

Company W is a production unit of Company K located in Thailand. This company is responsible for the daily business activities in the SEA region under supervision of Thai local management. The management team in Thailand together with the headquarters manage the local partners from SEA region. Headquarter is in Vaasa, Finland. In 1980, Company K started a turn-key project which included design, construction and material supply in Thailand. That is how and why company W is established since then.

3.3.3. Interview III

The third interview of this Master's thesis was done with Interviewee V from company V at the company's headquarters. Interviewee V is a Finn. Currently, he served in company V as Director of Marketing and Business Development. He was the first employee from Company V to explore the business opportunities and start the business in SEA in year 1995. It was the first time he went to SEA for business purpose. His business experience in SEA is about 20 years.

Company V is a global manufacturer for variable-speed AC drives which offer optimum process control and energy efficiency for electric motors. This company supplies AC drives in various industries such as marine and offshore, mining and metals, solar and wind energy, building automation, elevators and escalators etc. Company V was founded in year 1993, in Vaasa, Finland. In year 2012, company V earned revenue of 388.4 million EUR. Till date, the company employs approximately 1500 people globally.

The company has production and R&D facilities in Europe, Asia and North America, sales offices in 30 countries with sales representatives and service partners in nearly 90

countries. Company V started the business in SEA in year 1995 and has now active business in Thailand, Singapore, Indonesia, Malaysia, Vietnam and other SEA markets. The SEA regional office was established in Bangkok, Thailand in year 2006. The main purpose of the regional office is to support and look after the SEA market for both sales and service coverage.

3.3.4. Interview IV

The last interview was conducted with Interviewee S from Company S. Interviewee S is a Finn, working as marketing manager in that company. The interviewee was an expatriate in Malaysia in 90s, responsible for the business in Asia for another European company. His current responsibilities are monitoring and coordinating the business in all regions including SEA. Interviewee IV has approximately 20 years of business experience in SEA.

Company S is a Finnish based company, headquartered in Vaasa, Finland. It started with their first version of arc flash protection in year 1994. The company quickly became a leading expert in protection relays, arc protection systems, multi-functional protection relays, measuring and monitoring units for power distribution networks. The product range is suited for both utility and industrial applications. Company S has an international network of subsidiaries and partners. The company has business in SEA since beginning of 2000. Now, Company S has partners in Indonesia, Laos, Malaysia, Philippines, Thailand and Vietnam.

3.4. Reliability and validity

In order to achieve reliability, the interviews are based on a standard format written down as an interviewer's guide. Each interview is initiated by explaining the purpose of the study, the procedures, and questions. The interview guideline has 29 loosely structured questions that served as a mean of gently probing for information about the

research objectives. The questions are flexible to ask in any order and were inserted into during the interviews appropriately (Batonda & Perry 2003a: 1469). The intention of in-depth interviews was to get further insight from someone and enter into the other's perspective to find out things like feelings, memories and interpretations (Patton 1990). Interviews are all audio-recorded during the data collection process. Audio-recorded interviews are meant to control bias and to produce reliable data for analysis (Saunders et al. 2007: 333).

Validity of this Master's thesis is assisted by using multiple sources and not relying solely on the interviews. The secondary data such as company annual reports and company brochures are used as the evidence to further support the information collected (Batonda & Perry 2003b: 1559). A comparison of each interview and clusters across characteristics could act as a catalyst for the following discussion, which includes quotations from interviewees (Batonda & Perry 2003a: 1472). It should be emphasised that the findings of this Master's thesis are indicative and suggestive but not conclusive (Harris et al. 2003: 17).

4. CASE DESCRIPTION, CROSS-CASE ANALYSIS AND DISCUSSION

In this chapter, first of all, four cases are described individually. Subsequently, a cross case analysis is presented accordingly to the stages of business relationships being outlined in the model of attraction, interaction, communication, trust and commitment. At the end of this chapter, a discussion is analysed with regard to the theoretical framework which has been built at the end of chapter two.

4.1. Case descriptions

Analysis of each interview is presented at this section.

4.1.1. Case I

Company K is an expert in plastic pipe industrial, infrastructure, building applications, environmental and low-energy products, pre-insulated pipe systems, special machinery and production technology. This company started the business in SEA in the 1980s, in Thailand by selling a project. During that time, business partner from Thailand approached company K in order to get a massive amount of plastic pipes as there was no production of big pipes in Thailand at that time. Consequently, Company K shifted the production line to Thailand and started to produce the pipes in Thailand. During the early stage of the business in SEA, Company K hired expatriates to manage the plant in Thailand. The expatriates based in Thailand before were Finnish, Canadian, and Indian. Subsequently a local Thai managing director was appointed just recently. Interviewee K stated as below:

“...he is the first Thai managing director...before we had a Canadian...Indian. At the beginning there was Finnish expat...”

Basically, the plant in SEA is run by local Thai people. It is believed that business becomes easier by using local people. This approach is applied to other markets in the SEA region as well. For instance, the interviewee stated as follow:

“...Vietnam, you will approach a Vietnam people to start business there. If you go to Philippines, you will get a Philippine people...”

Interviewee K believes that a good agent helps in developing a healthy business in the SEA region. The role of expats is just for management, to support in terms of sales and technical issues amongst others. In general, Company K will contact someone that they already know before to check if they are interested to start partnerships. Other than that, Company K also used head hunter to search potential local partners. During the interview, Interviewee K emphasized that the headhunter comes from Finland having a local cooperation in Thailand. Statement by Interviewee K as follow:

“...we take the head hunter actually, in Thailand. (Paused) but It was a Finnish head hunter with the cooperation in Thailand.”

Before starting any partnerships, Company K has different requirements and sets high criteria based on relevant business background and market knowledge. First of all, company K would like to know what business potential partners are actually in, what possibilities are there to handle their business, and what is their knowledge of markets and products. In addition, company K is interested to know more about the potential partner's knowledge with regard to their end customers. In terms of sales and marketing, company K wants to have somebody that imports some other products (non – direct competitors) to the construction industry. For instance, other types of pipe, construction materials, cement. The reasons behind are that these potential partners know already the related people, thus there might be a bigger chance to succeed in the business. Moreover, the resources in terms of manpower help to convince Company K to consider a partnership with that local partner too.

Initiation could start from Company K. Yet, it is also possible to be commenced by a local partner. In fact, a potential local partner who takes initiative to approach Company K encourages starting a partnership because Company K has the impression that this

local partner is more proactive. Additionally, the local partner probably has an idea how to do business in the local SEA market. It could also mean that they have been thinking before to start a business relationship and also have figured out how to do. However, the local company potentially does not have sufficient resources, most likely in financial matters to invest. The role of a good partner is crucial as Interviewee K mentioned as follow:

“...it is important that the agent has a strong, good background, they are solid company, and they have done this business before...”

In terms of interactions and communication, Interviewee K prefers to talk with local partners in person. Despite checking the reliability of a company, the reliability of a person is essential too. Company K wants to cooperate with the company and the person who may have good reputation in the business segment. Interviewee K stated as below:

“...you cannot afford to deal with somebody is not reliable... Hopefully they have certain reputation, good reputation...”

At the initiation stage of a business relationship, Company K takes cautious steps to check the background, and the reputation of the potential local partner. Several meetings are conducted to see who it is and to verify whether they can trust the local partner. Company K does not do any mutual agreement without seeing the people before. Both parties have more frequent interactions in the beginning so that Company K can understand local partners better and to make local partners to understand about their needs. There is more face to face meeting at the beginning. Other than meetings, factory visits to meet the people and the production site help to create a better understanding towards the aim of the business. Interviewee K believes that trust and knowledge are build through these ways. After the official agreement is signed and business is started, face-to-face meetings are not frequent as before but more emails and instant meetings take place for daily business activities. Interviewee K mentioned as below:

“...more frequent in the beginning...they can come to our factory to discuss with our people, they can look at the production and see how it works and all these stuffs....And then trust is built, and knowledge of course...”

Coming to the beginning of the development stage, both parties will discuss terms and conditions for their partnership. A legal agency agreement will be signed before any official business activities take place. Additionally, the agency agreement comes along with a three to five years sales plan. This plan includes the sales target. It is clearly stated that both parties have the right to terminate the agreement if any of the parties do not implement or do not reaching targets as agreed. Importance of agency agreement emphasised by Interviewee K as supported by his statement:

“...because it is a business relationship, we don’t do anything without signing a paper ...”

Business relationships do not work perfectly without mutual contributions and supports. The role of Company K in the mutual business relationship is more likely to be defined as supporting the local partner by providing them with financial resources for marketing use and technical supports. At the beginning of potential partnerships, Company K will share some cost with local partners until the local partners have gained a certain amount of turnover. Interviewee K stated as below:

“...we can do in the meantime is in order to support...or we will give you marketing money... export department to support them with offers, with technical knowledge, with going there and finalising negotiation...”

In every partnership in the SEA region, company K only has one local partner in each market. If there is more than one partner in one country, it must separate them somehow, either by geographic, by customers or others. However, if there are any meaningful possibilities and instructions from top management, these local partners have to be corroborated in order to achieve business goal.

Interviewee K explains that initial trust means that they can see that the local partner is working actively on the business. Moreover, they accurately assess the way how local partners handle the customers after the delivery. It is an additional point to create trust if local partners have supported the customers very well during the whole phase. A successful and satisfying first deal may lead to the next deals. The trust is increased

accordingly to the performance of the business activities. Good performance and results encourage bringing trust to a further level. To foster initial trust maybe takes half a year to one year to develop deeper trust (on average) around three to four years. The statement is supported by Interviewee K as follow:

“...Initial trust means...they are active...they handle the customers...We have the next deal...Then we start to trust more and more... Payment should come...if we have no problem with everything, continue to grow, and gross comes... we will be happy and trust more and more...”

Company K measures trust through the action taken according to what has been agreed. If the partners take action to what has been promised to their business partner, trust is created. However, trust is decreased if the partners do not take any action or could not make what they have been agreed to. Interviewee K stated as below:

“...Trust is built through what we are saying...”

Company K does not try to enforce local partners to be exactly like what they are doing in Finland. In fact, Company K understands that they have to let the local people to handle business in their own ways; however goal- oriented providing support to organise the company in a proper way. That could able to make SEA partners successful. However, local responsive does not guarantee succeed in every SEA market. Company K experienced failure in Malaysia due to the *bumiputera* issue in that country. The example is stated by Interviewee K as below:

“...we had a company there (Malaysia)...but we closed it maybe 5 years ago and one of the problems was Bumi...”

Interviewee K mentioned a good quality of business relationship means they have active business with the goal of making money. Active meaning in a way that both parties gain profits from the business. The interviewee also emphasises the importance of business relationships instead of personal relationships as follow:

“...in business is like this. You cannot be only friends. We have to make money. Both, both parties not only us...They as the agents, they must understand we also have to make money...”

Company K will terminate a partnership due to no development as agreed in the signed agreement. Before termination of a partnership, evaluation will be made. Both parties will evaluate the development and satisfaction on the results. If either of the party is not happy with the result or having problems, there is a possibility to suggest a termination. Termination is a sensitive issue to handle. Therefore, Interviewee K hopes if termination happens, it should be a mutual agreement from both parties. Interviewee K mentioned as follow:

“...if we don't, if we haven't perform this, we can cancel this...Both parties, not only us.”

The interviewee mentioned several issues how to do business in SEA. For instance, the issue of finding good and trustworthy people is crucial. The biggest problem in SEA is to get a right person as how Interviewee K has stated:

“....This is the biggest problem... question of right people...”

4.1.2. Case II

Company K (headquartered in Finland) has a production unit, Company W in Thailand. Company W is responsible for the daily business activities in SEA region under the supervision of Thai local management. Together with the management team in Thailand, the headquarters manage business with local partners in the SEA region. In 1980, Company K started a turn-key project which included design, construction and material supply in Thailand. That is how and why company W is established since then. Interviewee W is the CEO of the SEA regional centre for Company K. He had fruitful experiences in Australian and Singaporean construction companies in developing business in SEA, mainly in the Thai market. Interviewee W joined Company W through headhunter support in year 2010.

Interviewee W encourages foreign companies to find local partners to start the business in SEA as that is the ideal way to get access to other customers or appropriate channels in order to commence with the business. He stated as below:

“...they need to get access to other customers or channels to go to the business...”

From the experience of Interviewee W, it could be either both parties to take initiative to approach each other. During the searching process of local partners in other SEA markets, Interviewee W suggests to use internet services. Search engines could provide information about companies which are involved in the selected business or industry. Before starting any official business relationships, Interviewee W will do some pre-checking on history, and former achievements of the potential local partners. This could be done via references from the customers, employers and so on.

Email and telephone are more often first taking into consideration to exchange positions. It is possible to agree most of the issues via phone calls. When both parties reach to a certain level of consensus terms, a face-to-face meeting will be arranged to make final agreements on major and minor issues. Before signing any agreement or contract, face-to-face meetings are more frequent. Both parties keep regular conversation to update each other what is happening, what would be the opportunity, how could they create opportunity, what would be the problem, what would be the solution. Regular communication is important as both parties are apart from each other. The methods to keep regular contacts could be calls and face-to-face meetings from time to time.

An agreement is signed before starting partnerships. The agreement compromises risks, profit situation, cash flows, shareholding structure, and so on. Interviewee W explains that both parties need to agree upwards before any financial investments are put into the business. Moreover, the agreement is used as a tool to bind both parties legally. Continuous communications and interactions ensure a good business relationship continue to develop. In a good partnership, both parties will keep each other informed and updated about the business. Yet, one should find out the reason if business is still running with lesser communications and interactions.

Language plays as one of the critical rules in building relationships in SEA. Language is used to create effective communication. Nevertheless, if both parties do not speak the same language, effective communication does not take place. It takes time to learn a new language and new culture. These are some barriers to communicate effectively with the local partners. In general, English has become common in Thailand, compared to years ago. Therefore, Interviewee W state that the foreign representative should at least speak English. Other than speaking the same language, development of relationship also depends on how the parties communicate with each other. Explanation of Interviewee W as following:

“...If you don't know the language, you don't know the culture. I think is difficult...most of the companies that come to Thailand they have to speak English... after that it depend on how you communicate...”

It could take four to six months in order to understand each other. In some cases, it can easily take years. This depends on the business being involved. For instance, in construction business, after setting up a company, it may take one year to start the first project. Consequently, the project may take about two years to finish. The profit of the project still could not be determined immediately. During the time to set up a new company, and development of the first project, both parties learn how to work together with each other. This is the period where both examine the sincerity on the other. Relationship may develop better if the first projects are finished successfully. However, if both parties do not gain any profit from this project, the relationship may be affected. The time frame in order to develop good business relationships depends on the type of the business. If the business partners can survive after two or three years, it could be having a longer business relationship as that period is sufficient to understand the partners. Both parties would know whether they want to continue or stop the relationship after the “testing” period.

The most important thing in developing fruitful business relationships is to find out how the foreign representatives can trust the local partners. The reason given by Interviewee W is very simple as people do not trust each other if they do not know each other before. In addition, one only can understand better whether s/he would like to invest the time

and commitment with this company or the person after quite some times. Interviewee W mentioned as below:

“...the most important is that how to get the relationship developing. How can we trust him? This is the most important thing...”

Asian business tends to rely on connections. Interviewee W explained that Asian business is emphasised on “know who” rather than “know how”. Personal relationships are very important in the SEA region. However it is the opposite way in western world where they are more concerned about “know-how”. Interviewee W stated as below:

“...know whom maybe better than “know how”... It is like this ok...” I think in Western world, it could be simulate. But in here, it is like this...”

Personal relationships come with close relationships. However, Interviewee W suggests keeping a little bit of distance may be more appropriate with the reason stated as below:

“... Because when people like you very much, they can hate you very much also.”

Local partners, who have good relationships with the foreign representative will help them to get through business problems and solving them. If trust does exist in the business relationship, the partner would like to help whenever the other party needs help. This is how Interviewee W measures the quality of the business relationship. Good quality business relationship will receive help from the partner without hesitations. Statement is given by Interviewee W as below:

“...When they need you, when you need help, ok...when your partner needs help, you help him....If they don't ask you a lot of question, just do it; it means they trust you quite a lot...”

Foreign companies should be aware to encounter some kind of local practice which is different and unfamiliar for them. Interviewee W stated as below:

“...in Thailand, people seem to be shortcut, don't go step by the step... Maybe the Thailand way they want to act as quickly as possible from shortcut. Where western style they will have the process that they go step by step...”

At the discussion to measure trust in business relationships, Interviewee W mentions that one potentially has some feelings and kind of special sense to choose a partner. The person can feel whether the business and the person can be trusted. Personality, action and the way one expresses himself/herself during interaction also determine the development of business relationships. Failure of a business relationship could be that the partners cannot work together. If partners do not trust to each other, it leads to failure. Interviewee W mentioned as below:

“...To me if the partners cannot work together, don't trust each other, it is going to fail...”

4.1.3. Case III

Interviewee V was the first employee from Company V to explore the business opportunities and starting business in SEA in year 1995. It was the first time he went to SEA for business purposes. His overall business experience in SEA is about 20 years. Company V is a global manufacturer for variable-speed AC drives offering optimum process control and energy efficiency for electric motors. This company supplies AC drives in various industries such as marine and offshore, mining and metals, solar and wind energy, building automation, elevators and escalators and others.

Company V has active business in Thailand, Singapore, Indonesia, Malaysia, Vietnam and some other SEA markets. The SEA regional office was established in Bangkok, Thailand in year 2006. The main purpose of the regional office is to support and look after the SEA market for both sales and service coverage.

Company V started business in SEA markets by approaching local partners. Due to the reason of having nothing in the markets, Interviewee V claims that it needs to start from somewhere and local people to represent them. Interviewee V stated as below:

“...we need to start from somewhere. We need to have somebody locally to represent us...”

The senior employees in Company V have known many people around the world from the previous experiences in other companies. These contacts help Interviewee V to start business in SEA. The potential local partners are old friends of the senior employees or come from the competitors. The local partner in Indonesia is colleague from the previous company. Coincidentally, the partner was looking for partnerships and he took initiative to contact Company V. It is a quite similar situation in Thailand where the local partner was an old friend known from previous working experiences. Unfortunately, this partnership did not go well. Company V started to search a new local partner in Thailand after the termination. Then, a new local partner who used to work for a competitor joined them. Interviewee V explained that most of the partnerships started by employing people from competitors to establish an own business or the local partner planned to change the job and was looking for potential candidates (employer or partnership to start an own business). The increased reputation of Company V has attracted local partners to view them as a potential supplier. For some partnerships, it was Company V that directly contacted directly to the competitor's partners and distributors.

The name of a country also contributes to business relationships. The relatively good reputation and name of Finland in the SEA region helped Company V during the searching process. The good reputation of Finland helps to some extent to support good partnerships in SEA regions. As a starting company during that time, Finnish citizenship may help to do business in these markets. The advantages for Company V are their background which the employees have been doing in that industry for many years (even under different companies), contacts they have and the Finnish name. Statement is given as below:

"...Our advantage for us is that our background, we have been doing this many year but under different company. We knew the people but also Finnish name..."

Other than that, Company V also used consulting companies like Finpro to search for potential partners in SEA markets. However, the final nominated local partners were defined from their own search and not solely from the suggestion of Finpro due to the reason that Company V knows exactly what they want from the partners.

The requirements or criteria to select local partners are they must know the business and products. Other than that, potential local partners also should have knowledge closely related to the business, and must have some sort of understanding on the market such as market size. Moreover, it is supportive that the local partner is willing to invest. The investments could be placing decent stock to serve customers, and willingness to employ manpower to develop the business. Interviewee V emphasised that the service is important in their business. Of course, local partners have real ambitions to make money for them and also for Company V. Interviewee V stated as below:

“...typically, we are relieved that he knows the business, we are relieved that he knows his market and clients, we are relieved that he has a real ambitious to make some money for him and for us...”

Company V has expectations on local partners in a way that they are willing to go into the business. They must know their motivation and to check whether the local partners are serious or not. The expectation includes the flexibility on both parties. Both parties are willing to listen to each other and solve problems together if there are any issues raised. Company V is flexible to compromise with partners if they are willing to invest.

Company V will check the background of local partners whether they are capable and having sufficient knowledge in doing things. Good local partners should be equipped with some kind of capability. Despite their capabilities, foreign companies have to keep their motivation up by supporting them. Interviewee V stated that there is a so called “preferred supplier list” in SEA. In order to get into the list, the company needs to work hard for that. Nevertheless, hard work does not guarantee to get into the list as there may rise up an unfairness game compared to do business in Europe. There is a lot of effort needed to take into considerations to figure out what is behind the “preferred supplier list” and why. A good partner can support the ‘thinking processes and resolve problems on behalf of them as the local partner is more likely to be familiar with the business practices in the local market. Statement is made by Interviewee V as below:

“...you have to find a good partner...you have to keep supporting them... what I know is there is so called "preferred supplier list".... what I felt there is not so fair game

compared to the business, making business in Europe...But if you have a good partner. He is doing that thinking on your behalf..."

On the other hand, local partners will ask for training, commissioning help and general technical assistant. Normally, these are the things that Company V does support in these relationships. Meanwhile, it is in here are the interests of Company V to transfer knowledge. Company V will train local partners in order to keep their knowledge level as high as possible. By doing this, they make local partners to sell more and enhance trustiness with local partners due to the know-how received. Interviewee V stated as below:

"...the customers trust them more because of their knowledge level, know how..."

Company V defines territories for each local partner when preparing a distribution agreement in order to prevent cross country selling. Official partners in each country should not create conflicts with other partners in the same region. Company V tries to maintain terms and conditions the same for every single partner. For example, if a Malaysian customer is buying from a distributor from Singapore, the rule is that the partner should revert the cross boarder inquiries to the country of origin (in this case, Malaysia). If there is any conflict happens, both parties are forced to solve the issue by negotiation. For instance, if there is any dilemma, partners should just 'raise the cap on the table and try to make them to talk about it' and try to compromise to resolve problems. The goal is to make everybody happy and satisfied with the end results. Interviewee V stated as follow:

"...We try to solve by negotiation...We try to compromise that all the parties are happy... just raise the cap on the table and try to make them speak about that and try to find the compromise... And if you are satisfied then we shake the hands and continue the daily life again..."

Communication is very important especially in a country where people do not speak good English. Interviewee V explained that it is challenging to have conversations with Thai partner via phone call. In addition, the phone connection sometime is not that good

for a long distance phone call. Usually, Interviewee V will send emails to follow up with the local partners after a phone call discussion. This is to make the partner understand at the first place. If there is anything unclear from the conversation, local partners can always refer to the email by translating or asking other colleagues. By doing that way, Interviewee V is able to get agreements in black and white. Interviewee V prefers to interact face-to-face with his partners. He claims that this is the best way of communication – one discipline to create and build partnerships. Interviewee V mentioned as below:

“...I prefer face to face. This is the best way of communicating....It is absolutely something when you talk face to face. This is always one discipline when you create and build the partnership...”

In building relationships, observations on others' behaviours are important like paying attention on the other partners' preferences during business interactions. When visiting SEA, they lead discussions in a favourable way, such as providing the other party with small gifts. For instance, foreign partner brings chocolate or bottle or something from Finland to local partners. However, at the beginning of interactions, it is advised to act neutrally. One of the important things to do is the first evaluation on personality. The main purpose to do this personality evaluation is to find a partner that can always keep the personal issue and business separated.

Interviewee V mentioned that during his time in SEA, they put a lot of personal relationship to create trust by visiting local partners. Besides, they also joined some social events such as dining and wining together. He treats this more like meeting friends. It is easier to contact local partners if they know them personally in order to ask for help. The circle will go around when either party asks for support from each other. It is very important to have good connection and a wide network all over. All relationships start to flow again as partners are helping each other through references. Business relationships will continue in this way as well. Interviewee V put more weight on personal relationships rather than business relationships in the SEA region. He mentioned that personal relationships are very important in SEA. Even if their product costs more than competitors but customers still do business with them because they

know him. Customers are willing to pay more because he trusts the person, the product and the local service capability.

Trust is not only built on a personal or organisational level but also on products. In order to show the real business and make local partners to get a better understanding on the business and products, factory visits will be arranged. Starting from this, local partners have the opportunities to meet the people as well. Consequently, trust could be create to a certain extent and certain level ensuring that daily business activities are going smoothly. A high trust level means that both parties could speak openly to their partners. However, it is not common in SEA markets as there are always some taboo issues. Interviewee V mentioned as below:

“...There are always some taboo issues which you don't speak... some people very opened to speak about, then the trust level is also very high. But in some cases, you don't get the trust level...only at the certain level...So, you created the trust to certain level that your daily business is running and everything goes smoothly...”

In general, people will contact people who they know well to ask for help or to solve problems. Interviewee V explained that if partners do have trust to each other, s/he will give help. Additionally, when someone from business is calling to ask for assistant, it means s/he also has expectations from the partner that s/he will agree to help. Interviewee V stated as below:

“...Because they trust that person that he will help me...they will call to the person they know and then hope to get help from that person...Relationship is important, definitely...”

Trust starts to grow when business activities are started. Hence, trust is evolved during the process. Moreover, trust is built when partners are doing what they have promised. The evaluation is taken through the action according to the agreements.

In order to succeed in business, motivations on local partners are very critical. From experience of Interviewee V, he once found a big company with a strong financial

background in SEA market. However, the business did not go well and a new local partner joined after that. On the other hand, a partner in Thailand established the business alone and from the clean desk but created couple of million Euros of business within a few years. Other than luck, Interviewee V concluded the failure is due to motivation - to motivate local partners by following up closely to their performance. High targets are set to the partners; it might be helpful giving them support to keep the business balanced. It depends heavily on who the counterpart is. It is always people behind the company, not about the names but always people behind the company. The quote is given by Interviewee V as below:

“...You need luck sometimes, you need to motivate these people, you have to really follow closely how your performance? You have to squeeze them but you have to also give them....to give the things balance...”

If a company starts from scratch in SEA and being not popular in that market, the partnership might take longer time to build, approximately one year. During this one year, it is crucial to foster the relationship. The relationship could develop faster if everything goes smoothly. The time to develop a relationship in SEA relies on the background, the motivation and the willingness of their opponents. Interviewee V stated as below:

“...Of course, it's quite long time and we were unknown... one year partnership... one year is build and grading... it depends so much on the opponents...?”

Interviewee V had the opinion that some companies or individuals should not go in a deep level of personal relationship in business but it is how it goes in SEA region. However, the local partners are still professional actually understanding that business has nothing to do with personal issues. In general, people in SEA do not expose everything to their foreign partners. Foreign companies need to somehow guess the information given about what is behind the partners. Additionally, local partners might think that the establishment of a foreign company in their market can be seen as a threat as this new branch potentially will become one of their competitors in future. From the perspective of Interviewee V, building relationships is not a dramatic matter. The key point to manage business relationships is to keep the relationship alive. Partners will

keep contact once in a while to follow up and update the business. One of the roles as a manager is to maintain the responsibility in maintaining the interaction context regularly. If the business is being silent and becomes not active, the foreign partner will take initiative to contact local partners to show concern especially in terms of support.

The quality of relationship is measured by the final business results and the orders. Numbers in business are typically speaking on behalf of everything. Successful business relationship means that the partners deliver good results and good order intakes with relatively acceptable margins and profitability. Statement is given by Interviewee V as below:

“...just to keep the relationship alive...keep the conversation up... area manager or what so ever...have responsibilities to maintain this...if you see that nothing...grab the phone....Can we do something? Do you know this...nothing more dramatically than that...successful business relationship... good business relations...good result, good order intakes with relatively OK margins and profitable business...”

Interviewee V recognised that it is extremely difficult to develop business relationships in SEA. However, foreign partners and local partners will go to the customers together to explain the product and the business. It is interesting to observe that local customers are easier to give trust to the business being accompanied by foreigner. Interviewee V explained that probably this is because the view it as willingness to do business or to be the supplier for them. When local customers see a European is willing to visit their company, they treat it as a commitment to their premises. Importantly, it always helps. A good impression is created to the local customers in a way that local representatives and foreign representative from Company V visit their companies together, discussing the business with them. Interviewee V explained the difficulty and opportunity as below:

“...Extremely difficult...we go hand by hand to the end user...Especially in Asia, it's a huge help when they see that some European guys together with the partner...they see that hey they are good together, they are good relationship and then they listen all of them. You get the approval better...”

Interviewee V summarised that SEA has huge business opportunities but it needs a lot of working hands and good partnerships. The doors are open but the issue is how to build meaningful relationships, being the most critical part. The interviewee mentioned several key things to progress successfully. Firstly, both parties have spoken about their expectations at the early stage. Secondly, partners should do what they have committed. Consequently, an action list should be prepared and counterparts have to do what being promised without any hesitation. Both parties should fulfil expectations towards the terms and actions that have been agreed. Thirdly, counterparts should keep in touch regularly either via email, phone or other communication methods. In addition, both parties should not 'be left alone' for a long time without any mutual calls or mails. Lastly, the parties compromise to each other to business opportunities, resources and problems. Interviewee V mentioned as below:

"...huge opportunity, definitely...Building the relationship... very important part. How you build it.... first time, you have spoken. Second thing is you have to do what you have promised. You have the action lists, and you promised to do this and this. And you will do it without any hesitation...he will expect that...vice versa... keep in touch regularly either with mail or phone, or whatever...never leave a long period without any call or mails... compromise..."

4.1.4. Case IV

Interviewee S is a Finn, working as a marketing manager in Company S. The interviewee was an expatriate in Malaysia in 90s, being responsible for the business in Asia for another European company. His current responsibilities are monitoring and coordinating the business in all regions including SEA. In addition, Interviewee S has approximately 20 years of business experience in SEA.

Company S is a Finnish based company, headquartered in Vaasa, Finland. It started with their first version of arc flash protection in year 1994. The company quickly became a leading expert in protection relays, arc protection systems, multi-functional protection relays, measuring and monitoring units for power distribution networks. The

product range is suited for both utility and industrial applications. Company S has an international network of subsidiaries and partners. The company has business in SEA since beginning of 2000. Now, Company S has partners in Indonesia, Laos, Malaysia, Philippines, Thailand and Vietnam. Company S used local partners to start the business in SEA due to the reason that s/he will manage language, local conditions and having a proper understanding of domestic rules and regulations.

The relationship could be started either from foreign partners or local partners. Local partners will take initiative to take contact if discover that the foreign company due to the increasing reputation. On the other hand, there are some cases happened that foreign companies are able to recognised those potential local partners and contact to check if they are interested to work together. For instance in Malaysia, Company S cooperate with a local partner who used to work with Interviewee S in previous company. The Malaysian partner has brought the knowledge and the business to Malaysia. Often time, local partners in SEA for Company S were former colleagues or partners in other companies. Interviewee S stated as below:

“...very often, we already knew the partner from their previous life...”

As someone already knows business partners and has been work together with them before, it is easier to work together also when it comes to the new business and level of trustiness. From previous contacts, Company S was able to convince many partners to jump over from competitors to join Company S. The good reputation of Finland as for itself, the product of Finland, and for instance the global brand name of Nokia has been helping Company S to expand into SEA. SEA partners consider product from Finland as being reliable and having a good quality. In the earlier expansion into the SEA market, Company S was marketing the product by focusing on “made in Finland”. Statement is made by Interviewee S as below:

“...Finland, the product of Finland, Nokia of course has been helping us before...reliable and good in quality...”

Selection criteria include technical background, understanding and knowledge of the engineering business of the company. Most of the time, the selected local partners are those companies doing their business closely related to protection business. The local partners could be partners from competitors or even selling other related products. These local partners are responsible for marketing purposes, engineering commissioning, testing and provide local service to the customers. These are key elements in selecting the right local partner. Surely, partners need to have sufficient experience and understanding.

In addition, potential local partners should have an adequate business plan and being able to prove that they are able to manage, handle, gain and learn from that business.

The risky part in developing a business relationship could be that the local partner is not willing to work properly, does not invest into the business, and/or does not put sufficient sales and marketing activities to marketing the products. The minimal effort from a local partner could lead to a termination of the agreement. Hence, partnerships have started with a mutual agreement. This partner agreement is written down with all targets and conditions being mandatory for both parties to manage the business. From the value point of view, there is always a possibility to discontinue the agreement if the partner does not achieve the agreed targets. If things do not work or satisfactory for Company S, they still have the possibility to change a new partner. Thus, dissatisfaction on performance, lack of motivation or the way of working could lead to a decision for new partner. It is not a successful business if any of the counterparts is not satisfied. Terminations always follow the agreed target and actions in agreement.

Foreign companies try to understand if local partners are equipped with a good reputation and their company background. Furthermore, foreign companies have strong interests to know in which special segment potential local partners are active in and about their key customers. After deciding working together if one partner could not manage to perform well in all business segments, then Company S will make decisions to focus on certain key segments. In Malaysia, the main customer is Tenaga Nasional Berhad (TNB), an electric utilities company. Technical background of local partners in this segment is extremely important. Other than that, a partner who has the ability and

experience to handle this special customer is what this company needed. Interviewee S mentioned as follow:

“...in Malaysia, we are mainly selling the product to utility TNB. So, the background of the company is important...how well handled of course, certainly previous experience if we have not known anything about the company before...”

Typically, communication is held via usage of phones and emails. Conference tools often times will become one of the communication tools later on. If the sales force becomes interested with the potential partner, both parties have a strong interest to visit each other. Foreign representatives visit the counterpart in his/her market and the partner from SEA visits the company in Vaasa, Finland as well. Certainly, the sooner the counterparts could meet personally, the better the premises. The main purpose of meeting personally in local markets is to understand how the local partner's company is able to represent the products. The best way to learn the local business is to visit the customers together with the local partners. On the other hand, training is provided to local partners when they visit the headquarters in Finland. Through this way, local partners are able to know the working ways of their partner in another part of the world.

Soon or later when local partners have to handle projects, the foreign representative will work together with them. By working together in daily business activities, counterparts have more opportunities to learn and know each other more closely. Of course, it also depends on how active the partners contact their Finnish partner. Ideally, Company S hopes that the local partners will contact them at least on a weekly basis or even more often in order to ask for technical assistant and support in the sales process. In addition to that, the sales force from Company S is able to have discussions with them and doing evaluations from there. The Malaysian partner for Company S is an old friend of Interview S from the previous company. Interviewee S states that by knowing someone personally, it could support the communication, consequently speeding up to build trustiness. Interviewee S mentioned as below:

“...knowing a person personally, having a good communication, so we could have trusted...”

The time taken to develop a business relationship depends on the resources in hand. It might take several months if it is started from scratch. Moreover, it also depends on the capacity and capability of the partners. For certain projects, there are testing and evaluation periods which can take years easily. It is easier to learn working with partners during that period of time.

When partnerships are started it takes some time until both parties reach a certain level of trust, commitment, and agreement. Local partners are equally eager to get the technical know-how, technical expertise, and technical background from their foreign partner. A closer relationship comes naturally once both parties are doing business. Once local partners are capable to bring their end customers with them for training and different types of activities, the close relationship will come automatically. Interviewee stated as below:

“...eager to get the technical know-how, technical expertise, and technical background...close relationship naturally come once you are doing business, once you are bringing your end customers together with your partner for the training, different types of activities. So, you will automatically have close relationship.”

At the context of managing the local partners in SEA markets, Company S has only one conduct point which is how the partners organise distribution in their countries. Foreign companies do not encourage having a multiple channel from Finland to the same country as previous experiences had proved that chaos and fight will potentially happen. One partner represents one country in SEA. If the partner sells products to another country, s/he needs to have an agreed level of commission with the partner in that country. Company S respects each country at a similar level. Therefore, this foreign company hopes that if that local partner wants to go to another market, then s/he has to prepare to compensate the local partner who supposed to get the business in her/his own country. Interviewee S stated as below:

“...if you are really going to other market, so you have to be prepared to compensate a little bit...”

In order to build good business relationships with local partners in SEA, it might be supportive for both counterparts to help each other outside the real business as well. For instance, Company S supports their local partner in Bangkok, Thailand by promoting them with an ice hockey team. This type of help in another area than business could lead expectation towards the local partners that they will do something in return in the future. In developing business relationships, both parties are required to provide and take more actions than expected. Local partners have been expected to more intensively support customer. For instance, local partners could send replacement articles to customers if there is any device broken. Both parties may have come to an area that helping each other is supportive. Not strictly defining that responsibilities should stop here and there but always do more than expected to help each other may lead to favourable returns, potentially better than actually expected. This also creates, fosters, and develop trust. Sometimes, sales force from Company S will bring liquor from Finland with them when they visit their local partners. In return for this, the other party is willing to work harder and give support when there is any extra output expected. Interviewee S stated as follow:

“...the customers or the partners have broken the relay, we may help them...then the other moment could come that we have difficulty with our product. And then the partner will say...my turn to help the customer...that is also developing and creating trust...Bringing one bottle liquor or something like that, once they are visiting them...to that level, they can. They can because they know that in return once again you get bottle of wine whatever then the other party is willing to work harder for you and supporting you...once again as requested...”

Some local partners will call to the foreign counterpart during non-business hour and for non-business related matters. This is another level of relation. SEA business relationships do not stop only for business but also happen with a combination of friendship. In some cases, relationships among local partners could help each other in business such as exchange of experiences and knowledge to resolve problems.

The sales force at Company S is able to recognise the cross cultural issue in SEA, for example keeping in mind habits of Chinese, Muslim, and Hindu people. A cultural issue

is getting more important when the sales person is getting closer with the local partner. When it reaches a closer level of relationship potentially, local partners will invite their foreign partners to have together a family dinner, sometimes even wedding parties and dinners. However, it is very important to be aware to keep a certain level of distance with local partners. The sales force has not let the relationship becoming too close yet as this may violates the business if there is any mismatch or disagreement.

Finnish trust by nature to the agreed commitment as stated by the counterparts until the targets and actions are really achieved. Therefore, local partners in SEA have to prove during the partnership what they have promised. Trustiness from a Finnish perspective is finally confirmed by results. Local partners should take initiative to start some actions, to prove that they are able to be trusted and that the Finnish party can understand what they really mean. Finnish counterpart is rather quickly influenced by positive feedback in a way that promises, targets and actions are really delivered in business. During the development process, Finnish partners will provide support and products as agreed.

Trust could be measured from two ways. Firstly, through technical checking, based on a market development plan that is provided to local partners. The level of trust is higher if the document is been filling up deeply with detailed information. Secondly, based on the feeling. How does the foreign representative feel when doing business with the other partners? Undoubtedly, and most of the times financial matters finally decide if it is a good business relationship. Company S is straight forward to follow up with results at certain periods. Company S tracks results and questions reasons if the target is not achieved. Interviewee S ranked the trust of Company V with local partners at a high level as they have been working for many years. They have been working together in proper ways during times of uncertainty and slowdown periods. Both parties have overcome those moments together.

If a business partnership is terminated, the relationship may still remain. People tend to understand that they do not burn the bridges behind because they may need each other again once a day. In general, Finnish counterparts do not know how close the partner in

SEA might be in contact with their common customers. Also, the SEA partners maybe know each other in the region, and the business segment. The change of partner has only happened in countries where the historical business has not been successful so far.

4.2. Cross case analysis

At this section, similarities and differences of the above described cases are discussed by categorising them into the phases of the business relationship process: initiation phase, development phase and continuous phase/ termination phase.

4.2.1. Initiation phase

According to the collected data from the interviews for this Master's thesis, the first general conclusion one may consider is, that the investigated firms have applied a quite similar approach to enter into the SEA market by using support of local partners. Due to the application of a quite similar approach to step into the "unknown" market, several common behaviours could be traced from the interviewees' experiences. Finding an appropriate local partner is the common criteria when starting business in SEA with regard to the interviewed firms. Apparently, local partners play a crucial role to determine a successful development of the business. In general, local partners can assist foreign companies with regard to language issues, support with knowledge about local markets, business behaviours and institutional issues which foreign companies are not familiar with. In order to avoid higher risks in SEA markets, local partners may be an ideal option for foreign companies. Due to the dynamic business environment in SEA, companies approach local partners mainly to get access to the target market. Being a new company in an unknown market, it is suggested to start business by approaching a local partner who is familiar with the local business culture and the market.

As for a foreign company being active in the SEA region, the reason for using local partner to do business over there is mainly due to the connection. Local partner are usually well connective with regard to the local market. Local partners know about the business opportunities and where to start the business at best compared to foreigners. A statement is given by Interviewee K as follow:

“...the Vietnamese that we have hired has been well connective. He can make business, and find all the connections, families, friends, and business friends, whatever friends they have...”

Companies clearly understand their weaknesses as being foreigners when entering the SEA market. Meanwhile, foreign counterparts know what they can provide to the local partner in order to compromise the weaknesses and strengths for both parties. In such a case, foreign companies may support local partners in terms of technical, in-depth knowledge about products and by providing financial resources. In addition, a local partner may show her/his importance especially when it comes to cultural business differences. To summarise, local partners are important and preferred for foreign companies when entering a new market.

At the starting point of the business, foreign companies understand that they need to have local partners to support them. The approaching process may start either in a way that Finnish companies take initiative or the local partner commences the first step in order to start a mutual business relationship. Both possibilities are conceivable to happen in any companies depending on the brand name, nature of business, product quality, and the people. In common cases, it happened that senior managers from Finnish companies know people from their previous experiences and business networks. Therefore, previous contacts could be used in new or current companies that they are working for. Social capital may also be accessed from one's broader network. Therefore, relationship developed in the past or present can be drawn upon for future business purposes (Theingi et al. 2008: 524 – 528). Individuals' experiences function as sediments being established many years ago, and can be reactivated when they are needed (Axelsson & Agndal 2000). Halinen and Salmi (2001) further explain that the

personal contact network could be based on personal history, family, friends, education and earlier tasks in various firms and organisations.

Even at the early stage of a relationship, it is fundamental having a mutual attraction where both parties have interest towards each other to some extent. Recognition has to be there before the first contact is initiated. Other than that, head hunters and consulting companies are other options when searching for potential local partners. Company K and Company V used the same channel to search for potential partners in SEA. Nevertheless, the service providers were from the home country. Foreign firms behave carefully in order to reduce the risk by using service providers from the home country as trust has been paid to people from the same country sharing the same cultural background.

Another possibility to approach an ideal potential local partner is to accurately observe competitors. People who are working in the same industry or business tend to know each other, depending on the interaction frequency. The network is extended when one has been switched her/his workplace from one company to another employer. Interview V and Interview S used their own and/or colleagues' previous contacts from other companies to get in touch with potential candidates.

Derived from the case studies, Interviewee V and Interviewee S mentioned that the good reputation of Finnish brands, good quality of Finnish products, and even the name of the country (Finland) by itself helped companies in doing business in SEA. The good perception of Finnish products and people could be resulted from other Finnish companies coming earlier to SEA than these companies. The sound "foundation" built by the other Finnish companies such as Nokia does help the new Finnish companies to convince the local partners to some extent.

Finnish companies are rigorous in selecting local partners with high criteria and requirements. Basically, the requirements have to be fulfilled with relevant business background and market knowledge. Even if finding a suitable local partner seems to be

a top priority condition to bring the foreign firms on the right track when doing business in SEA, one should mention that Finnish firms will make sure to find a highly qualified local partner. Whenever a potential partner appears, the understanding towards the backgrounds and reputations are crucial to determine the possibility to proceed with the next step. Heffernan (2004) indicates the importance to identify partner's competency level at the early interaction stage. Information gathering is the most obvious tactic for reducing uncertainty (Webster & Wind 1972: 19). Before entering new markets, it is crucial to do some research or homework in order to get familiar with the markets, people, culture.

The internet becomes one of the convenient tools to look for potential partners – at least it should be supportive to finalise the idea of what kind of potential local partners may exist in order to fit the needs of the company. Companies check the background of local companies via internet, in order to find out more details regarding the reputation and achievement of potential partners. However, there is only Interview W suggesting to use the internet as the platform to check the background of potential partners. This could be due to the closer distance of this interviewee towards the local partners as the companies are located at the same regions. Furthermore, as a businessman from the SEA region, he has much better local market knowledge than Finnish representatives. Therefore, he could access business behaviours of local partners easier. On the other hand, Interviewee K, Interviewee V and Interviewee S suggest and prefer to meet personally in order to gain a better understanding of potential partners. Moreover, by meeting the local partner in person it may be an advantage to find out whether the local partner is a reliable business partner.

Hard skills and soft skills are measured throughout the relationship business process. Hard skills could be the technical knowledge of the partners and marketing knowledge about the business and market. Moreover, foreign companies also judge the resources on hand and willingness to do further investment such as manpower, and placing stock amongst others. Despite that, local partners are also required to have sufficient knowledge about potential customers especially in the services provided to them. A possible indicator why service is important is based on the consideration of long-term

relationships and the nature of products. Interviewee K, Interviewee V and Interviewee S request that local partners are equipped with technical knowledge on the products and industries. The understanding towards their end customers and services provided are extremely important.

On the other hand, soft skills are defined as the motivation and willingness of the partners. Foreign representatives prefer to see high levels of motivation and willingness showed by local partners when doing business with them. The motivation and willingness to invest more resources such as manpower, and/or marketing efforts are essential to create good impressions to the foreign counterpart. Interviewee V and S shared the same opinion regarding motivation and willingness. These interviewees are happy to work together with local partners who are willing to put efforts on the business.

Ideally, matching partners sharing a common marketing or strategic plan turn out to potentially have a more fruitful long-lasting partnership. Furthermore, Interviewee K and S prefer to work together with potential partners who take the initiative to contact them because it shows that one partner is more proactive and probably has a sustainable strategy how to do the business in the identified market.

4.2.2. Development phase

As discussed earlier, foreign companies are concerned about the mutual understanding. In order to ensure local partners to understand what requirements are needed and required, it may be helpful to arrange a factory visit. The interviewees agreed that factory visits are helpful in order to ensure local partners to get good understanding on the business and products. This usually happens before signing agreements. Continuous interaction and communication never ends, even after signing the agreement with local partners. Foreign firms will make sure that knowledge is transferred to local partners from time to time, thus they could serve the market better.

In terms of language, representatives from foreign firms cautiously need to dispel the barrier to create misunderstanding due to language inefficiency. Therefore, putting the business in “black and white” is ideal to build a better business performance. Interviewee W believed that language is essential to build a valuable relationship, while Interviewee V emphasised the importance on developing an existing business relationship. Interviewee W believes that both counterparts should speak the same language to create a better understanding. Without a good understanding, the likelihood of continuous is very low. From the perspective of Interviewee V, the purpose of speaking the same language is to reduce misunderstandings in business.

It is a good sign if partners (foreign or local) contact each other with a high frequency, as it helps to create trust. Both parties start to feel mutually confident, willing to listen to each other in order to figure out more possibilities to continue the business or to solve problems together. Higher frequency in contacting each other also shows dependency to the other parties. From the case studies, foreign counterparts mainly contact each other to assess the performance progress. Meanwhile, they hope that local partners will contact them if there are any problems or issues occurring.

Common ways to communicate in business are face-to-face, phone, email, conference tools and maybe fax sometimes. The interviewees emphasised on the importance to discuss face-to-face. Negotiators can release additional information, and exchange informal information during face-to-face interactions by body language (Halinen & Salmi 2001). When the parties have created trust to a certain level, then the “real” partnership has been started. An agreement is signed before any official business activities take place.

Partnering is a relationship that has to be defined and targeted by the parties involved (Veludo, Macbeth & Purchase 2004: 145). In terms of legal protection in foreign markets, a legal binding agreement is a “must have” before starting any partnership. Besides, it also ensures both parties to contribute to the business. On the other hand, it could be a good reason to terminate the partnership legally if any of the party does not

achieve or fulfil the requirements as stated. Interviewee K, Interviewee W and Interviewee S consistently agreed that partnerships have to be started with an agreement which will consist of written sales targets and other important conditions related to the business to protect both parties. Interviewee K and Interviewee S emphasised this agreement could be used as a good reason to discontinue partnerships if the targets and results have not been proved.

Dyad relationship is an active relationship with ongoing business interactions (Holmlund 2004a). Foreign companies interact with the potential local partners to negotiate the possibilities to continue into further development of the relationships. The communication pattern has an effect upon how the parties picture the atmosphere (Leek & Mason 2009; Lowe & Hwang 2012: 707). Most importantly, trust and commitment are built throughout the interaction process by communication.

Trust is created when business partners start to work together. The interviewees agreed that trust could be tracked from the daily activities in business. It could be expressed via encouraging; another way to verify trust is to demonstrate commitment in word and deed with regard, to actions that make you potentially vulnerable to opportunistic actions by the other parties (Huang & Wilkinson 2013: 462). Expectations putting on the local partners are the receipt of positive customers' feedbacks and that business performance is satisfactory in terms of financial matters. Yet, it is not only that foreign firm has expectations, so do the local partners. Hence, foreign companies have to prove their capability, the quality of the products, and reputation among competitors amongst others to the local firms. Moreover, they also showed their willingness to transfer knowledge and provide support to them, potentially being needed by the local partners. Both parties demonstrate their capabilities to each other in order to build and gain the trust.

The counterparts measure trust and commitment through daily business activities and interactions. However, feelings towards the other counterpart are playing a role to determine the existence of trust. Interviewee W and Interviewee S mentioned to use

feelings to measure the trust in business relationships. The comfortable feelings created during interactions lead to higher trust and better partnerships. How feelings and beliefs shape the nature and degree of trust that each firm has in the other and how all these factors go together affect subsequent actions and interactions (Huang & Wilkinson 2013: 458).

4.2.3. Maintenance phase / Termination phase

The interviewed firms are selling high technology products to SEA; therefore continuous knowledge and technical support are important to local partner as well as for customers especially when breakdown occurs. Additionally, good service could enhance the loyalty of a customer towards the company and/or the products. The better service of a partner leads to have a better understanding of what the real needs in the market and people are used to be. This is supportive for product enhancement and business improvement.

Undoubtedly, interpersonal relationship plays a crucial role to further intensify the process of relationship management in SEA. Interviewee W mentioned that “know-who” is much more important than “know-how” in SEA. Business relationship in SEA is a mixture with friendship. Certainly, the relationship is built from the business perspective. Yet, local partners will treat their business partners as friends and this helps in business. Importantly, it means that trust has successfully built with each other. For instance, the local partner is more willing to help if the foreign representative has a good relationship with him/her. Some local partners keep contact not only for business matters but also to show concern as a friend. Interviewee S used to frequently address his partners in SEA as “family friends” during the interview. Good personal relationship with business partners could solve problems or conflicts easily. Two interviewees, Interviewee V and Interviewee S mentioned that a good personal relationship could create a continuous relationship, leading to an extension of the business relationship into a business network concept.

Expectation towards the other party to help is another way to measure the trust. In a business relationship where trust exists, one party will expect the other to help whenever needed. It is a good sign if the business partner is happy and willing to offer support or help without any hesitation. The complied expectation will be rewarded with continuous returned favours in a trustful business relationship. Reciprocity is common in business relationships in SEA. Social exchanges allow the partners to develop mutual affections of “gratitude, respect and friendship (Finch, Wagner & Hynes 2010: 1020). For instance, Company S supports the local partner beyond the daily business activity by contributing in a local ice hockey team. By supporting the local partner through this way, the foreign partner helps to create the local partner’s name in the market indirectly. Consequently, local partners feel gratitude towards the supports they received from the foreign business partners.

Usually, Finnish partners only trust the local partners if they show what they have promised. The trust is increasing if partners prove results according to the agreement, regardless if it is verbally or orally. Both parties have to prove reliability by showing results in the partnerships in order to build trust and commitment.

In order to ensure that partnership works, foreign companies will follow up closely to the local business performance. Motivation is one of the key elements in keeping the counterpart to perform well in the business. A successful relationship needs compromises from both parties. Continuous effective communication assists in building mutual understanding to resolve problems. The effort taken from the foreign counterpart helps in motivating local partners. Interviewee V and Interviewee S track performance closely related to the level of support and motivation given to local partners. The characteristics of partnering are inherent trust, sharing of risks and rewards, increase in joint competitiveness, expectation of continuity, continuous improvement focus, supplier development, joint strategy setting, joint planning, joint R&D, two-way communication, willingness to help on another, conflict resolution, flexibility in delivery and flexibility in agreement (Veludo, Macbeth & Purchase 2004: 145).

The growing misunderstanding generates a negative effect in the exchange relationship, possibly leading to opportunistic behaviours and other destructive actions (Dong et al. 2010: 6). As the dyadic relationship develops, managers should adapt their governance strategies to avoid unnecessary channel conflicts (Yang, Zhou & Jiang 2011: 93). Interviewees explained how they manage the process with local partners in SEA from different countries. Surprisingly, the companies are using the same strategy for similar reasons. In order to avoid conflicts among the local partners, foreign companies only have one local partner in each country. If there is any possibility to have another partner to grow the business, the foreign firms will negotiate with the local partners to have mutual agreements with respect to geography, and customer types amongst others. The purpose aimed to treat all of the local partners fairly and ensuring that all parties involved profit from the business and partnerships. In any case of conflict, the foreign firms will act as a middleman in order to solve the problem together with the involved partners, finding a commonly agreed compromise towards the business goal.

Finnish companies measure the quality of business relationships with the business performance according to the agreement. Interviewee K, Interviewee V and Interviewee S have the same opinions that the final results (figures) in business performance define the quality of the business partners as well as the business relationships. Interviewee S indicated as below:

“...of course the money talks...”

Interviewee K and V have the same opinions that good business relationships means to be an active one. The business needs to be active in the markets and both parties should update each other from time to time on any issues and problems. Statement is given by Interviewee K with following words:

“... it is all be active...in business is like this. You cannot be only friends. We have to make money. Both, both parties not only us...”

Interviewee V explained that if the business is silent, then they will follow up to ensure partners having continuous active business in the markets by indicating that *“... follow up that they are business if you see that nothing...he has been silent...”*

If termination happens, foreign partners wish to terminate any business relationship coming along with harmonious circumstances. Usually, local partners in SEA know each other in the respective business sector; however foreign companies often times cannot accurately assess how close their relationships are. Hence, mutual termination is important in order to ensure that any negative impact to business is minimised. According to Interviewee K, contacts seem to become impossible if termination happens. Statement from Interviewee K is given as below:

“...they can of course start to talk bad about you...We try to separate somehow not as friends, but let say not as enemies. Ok, I don't talk bad about you; you don't talk bad about me...”

On the other hand, Interviewee S keeps on an optimistic view on termination. As both counterparts are still doing business in the same industry and it could happen that these separated counterparts will cooperate again in the future. Moreover, foreign counterparts do not want to lose their existing customers if there are any changes on local partners.

Table 4 shows the similarities and differences among the four case studies.

Table 4. Similarities and differences of case studies.

Descriptions	Case I	Case II	Case III	Case IV
	Company K – plastic pipe	Company W – Production plant of Company K in Thailand	Company V – AC drives	Company S – Protection relay
Initiation phase				
	Local partners are identified to penetrate into the SEA markets Main principle: Exchange of local market knowledge exchange with technical support, know-how of foreign partner company.			
Searching method	- Previous contacts - Headhunter - Initiation from potential local partners	- Via online search engine - Initiation from potential local partners	- Previous contacts - References from colleagues/ business partners - Headhunter - Competitors - Initiation from potential local partners	-Previous contacts -Competitors -Initiation from potential local partners
Attractiveness of Finnish counterpart			- Reputation of Finland - Good reputation of other Finnish products, e.g.	-Reputation of Finland -Good reputation of other Finnish products, e.g.

			Nokia. - Good company/brand name	Nokia. - Good company/brand name
Criteria / Requirements	- Business knowledge on products, markets, industry and customers. - Financial resources, manpower		- Business knowledge on products, market, industry and customers. - Technical background - Financial resources, manpower - Motivation and willingness to invest	- Business knowledge on products, market, industry and customers. - From engineering industry - Technical / engineering background - Financial resources, manpower - Willingness to invest
Pre-checking	Yes	Yes	Yes	Yes
Interaction	- Frequent face-to-face meetings, e.g. factory visits for local partners to meet the people and make the local partners understand the business and products better.	- Start with emails, telephone to get the positions agreed to most of the nature issues; followed by face-to-face meetings to make final agreements.	- Frequent face-to-face meetings (factory visits) - Emails, telephone. - Trust is evolving	- Frequent face-to-face meetings, e.g. factory visits for local partners to meet the people and understand the business and products better. - Meeting personally to

	- Emails, telephone. - Trust is evolving	- Trust is evolving		check the premises. -Emails, telephone. -Trust is evolving
Communication		- Language is an issue, Must at least speak English / Thai to communicate with locals.	-Language is an issue.	
Development phase	<i>Testing period to develop trust</i>			
Foreign counterparts	- Provide financial, technical, marketing support	- Technical and pricing support	-Provide training, commissioning, technical support	-Provide technical know-how
SEA local partners	- Working on what they have promised - How to handle the customers - More business deals	- Working on whatthey have promised - How to handle the customers	-Working on what they have promised -More business deals	-Working on what they have promised -More business deals
Interaction	Both parties contacting each other more frequently regarding technical assistance, keeping each other updated			
Termination	Might happen if both			Might happen if both

	counterparts are not satisfied with the expected performance			counterparts are not satisfied with the expected performance
Maintenance phase	<i>Only one partner in one SEA market. If there is any exception, the business will separate geographically, by business segments or others.</i>			
Interpersonal relationship		<ul style="list-style-type: none"> - Asian business tends to rely on connections. - Knowing-who is important 	Put a lot of personal relationship to create trust by visiting SEA local partners through social event such as dining, wining, etc.	<ul style="list-style-type: none"> -Helping business partners outside regular business basis -SEA local partners contact also on non-business matter
Reciprocity		<ul style="list-style-type: none"> - Willing to help each other if there are any issues or problems - Expecting return of favour 	<ul style="list-style-type: none"> - Contact partners to get help based on degree of trust in the relationship. - Expectation towards partners to help in the future 	<ul style="list-style-type: none"> -Willing to help each other if there are any issues or problems -Expectation towards partners to help in the future
Measurement of trust	<i>“Trust is built through what we are saying.”</i>		<i>“They are doing what they said”</i>	<i>“We do trust by nature what commitment has been said, and is the other party</i>

				<i>has to approach that we can really trust those.”</i>
Length of time	<ul style="list-style-type: none"> - Initial trust : ½ – 1 year - Deeper trust : 3 – 4 years 	<ul style="list-style-type: none"> - 1 year to start a project - 3 years time frame to know and understand partners better 	<ul style="list-style-type: none"> - 1 year to build and grading - Depends on the backgrounds, motivation of local partners 	<ul style="list-style-type: none"> -Several months -Testing period and evaluation period takes years. -Depends on the capacity and capability of local partners
Good business relationships	<ul style="list-style-type: none"> - Active business - Good financial performance 	<ul style="list-style-type: none"> - Active business 	<ul style="list-style-type: none"> - Active business - Good business results and performance 	<ul style="list-style-type: none"> -Good financial performance
Termination	<ul style="list-style-type: none"> - Not satisfied with the partnership - Both parties can terminate if either one is not satisfied - Termination is based on signed agreement 		<ul style="list-style-type: none"> - Not satisfied with the business results 	<ul style="list-style-type: none"> -Not satisfied with the partnership -Both parties can terminate if either one is not satisfied -Termination is based on signed agreement

4.3. Discussion

Elements that promote relationship quality include product quality, pricing policy, sales training and promotion programme, product and parts availability, technical assistance, order processing and delivery, and return goods policy (Skarmeas, Katsikeas, Spyropoulou & Sangari 2008: 29). Partners from SEA are eagerly to get technical know-how from their foreign partners. They need advanced technical support from western partners to succeed in their local markets. It is important to train the local partners and maintain their knowledge level as high as possible because as this allows them to make better profits and to create trust towards customers. In addition, foreign companies will give support in terms of financial resources for marketing.

Coordinative behaviour involves flexibility in resolving issues, engaging in two-way communication, understanding cultural differences and displaying a willingness to explore alternative solution in order to focus on joint gain with a long-term perspective (Dabholkar, Johnston & Cathey 1994: 134). Foreign companies show flexibility in adapting the local practice. Awareness towards the cultural difference in the local business environment is essential to build business relationships with local partners in a long-term business orientation. Interviewee V thinks: “...it is good to know at least something from the culture beforehand...”

Interviewee K and S mentioned the differences on ethnic groups in Malaysia. Company K couldn't succeed in Malaysia market due to the *Bumiputera* issue though the company had put some efforts in building closer relationships with this ethnic group. Interviewee K mentioned that:

“...Because we couldn't sell to Bumi customers.... we try to be connective to Bumi by some board members as always, but it didn't succeed...”

Business will go smoothly if the foreign sales people are able to recognise the cross-cultural differences. High awareness towards cultural difference becomes more important when the relationship is getting closer. Interviewee S stated as below:

“...they are able to recognise that they can recognise the habit of cross cultural issue between Chinese, Muslim people, and Hindu people all those thing...when sales person is getting more important....cultural issue is getting more important...”

Relationships are affected by the behaviour of individuals (Blois 1997). The individual personality and behaviour affect the feelings towards the counterpart who is interacting with her/him. Halinen and Salmi (2001) indicate that firms are primary actors in economic life, individual's role in actual business interaction is central. Trust is built on an organisational level as well as individual level. Blois (1998b) mentions that it is important to recognise that it is individuals' interpretations of events and the decisions determine how a relationship evolves. Therefore, establishing relationship is not only mediated by the behaviours of individuals but also creation of individuals' interpretation towards events. Key message delivered from Interviewee V on the interpersonal interaction is: *“acting natural...”*

Interviewee W holds the opinion that personality, eye contacts and words can influence the development of business relationships. Interviewee W stated as below:

“...Your personality, the way you act, your eyes. I think personality and eyes contact are important. And the way you talk, the words that you are using.”

There are some words and taboos being sensitive in SEA, varying across borders. For instance, pork is sensitive for Muslim people; political topics and The King of Thailand are sensitive issues to talk about in Thailand. Interviewee V mentioned as below:

“...avoid politics...politics you can speak later on when you get closer...there are always some taboo issues which you don't speak...”

Theingi et al. (2008: 529) find that relationships in SEA are developed over a longer time frame as western managers might need to be prepared in order to spend time and effort in developing relationships with commitment and trust without expecting short term gain. Furthermore, committed Southeast Asian partners are critical when ensuring certain level of relationship quality. It depends on the type of business and projects to

build a successful business relationship. Additionally, the capability and resources on the local partners also influence the development. The data shows a time frame of months to years to understand each other before enhancing trust and commitment via business activities. The judgement will be carried on through every interaction.

Obadia (2008) summarises that firms should select foreign partners specifically when close relationships are developed. However, the firms should be careful not to let the relationships become overly friendly and should maintain a “gap” to potentially obtain a higher business performance. Too close personal relationships could violate business performance especially when conflicts are raised. Negative emotions arising in business may differ in intensity or content depending on how people from the supplier side behave which means neither the problematic situation rests on these intense feelings or nor on the problem as such (Gedeon et al. 2009: 219).

Interviewee W and S would recommend to keep distance from a too close business relationship. Interviewee W mentioned that “...*keep a little bit of distance is better...*” The reason is good relationship can help to have better business performance; however, it could bring both counterparts into troubles together as well. Meanwhile, Interviewee S has an additional view on the distance. The interviewee indicated: “...*family friend you can be....but not let the relationship becomes too close...violating the business if there is any mismatch or they are not agree...*”

On the other hand, Interviewee V stated the importance of having personal relationships is a fact and business is highly relied on it to develop. Fortunately, local partners usually understand that business should be handled professionally. Quote is given by Interviewee V as below:

“...*some people say that in business you shouldn't go in such a deep level but to be honest sometimes, it goes especially in this areas...They are professional. They understand or they should understand that. This is business, nothing personal...*”

Batt (2008: 490) mentions that Europeans have a natural propensity to trust until an individual demonstrates that they are untrustworthy. Interviewee S mentioned that Finns are keeping on confident in trusting people naturally. Interviewee S stated as following:

“...we as Finns, by nature keep on trusting people and, I believe it is more the partner side have to develop trust in this game...we do trust and if they really achieved those actions, targets whatever been agreed...”

Due to the competitive situation in SEA and know-how dependency on foreign partners, local partners do not disclose all information to their foreign partners in order to protect their position and business. Interviewee V explained that with the following view:

“...we have to guess sometimes what is behind the business...some companies or some people might in their mind, we someday come to their countries by our own office or set up and we will steal their business...”

Dwyer et al. (1987: 14) metaphor that marriage is the process of developing business relationships. Hunt and Menon (1995) further remark stating marriage as being appropriate in capturing dyadic processes. Dwyer et al. (1987) apply the interdependence of relationships and interpersonal attraction between husbands and wives to describe the evolution of buyer-seller relations. The metaphor of marriage to describe business relationships has been used since the 1980s. It is still applied today in order to describe business relationship developments. Interviewee K and Interviewee V describe business relationships as a marriage. Statements are given as below:

Interviewee K: *“...It's like marriage you know. Why change wife if wife is ok...?”*

Interviewee S: *“...sometimes it is like a lose-marriage...”*

Finding a right candidate as a business partner in SEA may be challenging. Yet, foreign companies will terminate partnerships if there is no satisfying business result over a specified period. Partners may resist changes and seek for stability. Relationship is voluntary and both firms were able to terminate it when necessary (Holmlund 2004a: 40). The author also mentions that a negative critical incident may result in the

termination of a relationship but a positive critical incident may result in a stronger and deeper relationship. Interdependent problem solving can be viewed as a mutual understanding, and as a driver of satisfaction and enhanced relationship commitment (Bantham et al. 2003: 268).

5. SUMMARY

In this chapter, a summary of this Master's thesis is presented. Subsequently, potential theoretical contribution will be discussed. Thereafter, managerial implication, limitations and suggestions for future thesis are presented.

5.1. Summary

Certainly, there are vast business opportunities in the SEA region. Yet, a lot of working hands and good partnerships are needed in this market. Business representatives have to go to the customers and initiate business relationships. Building relationship is a very critical part. Consequently, the question is how to best build the professional business relationships in SEA markets.

Getting a right local partner in SEA is a big challenge for Finnish companies. It is a long process to make the selection and build up the trust and commitment with local partners. The business environment is getting more business-oriented due to globalisation. One keep in mind that personal relationships are essential for the success of a business in SEA. The first contact with potential local partners is often times derived from previous contacts, and/or past experiences. From a SEA's perspective, the process to build trust with business partners is by building personal relationships with them. Yet, trust is built through actions and results from a Finnish point of view. However, the importance of business relationships is becoming obvious compared to personal relationships. Compared to earlier days, local partners are more able to separate business and personal relationships. This is easier in business discussion and problem solving without letting personal relationships allow violating the actual business decision.

The interplay between business and people are clearly complex and multi-faceted (Gedeon et al. 2009: 223). Burkert et al. (2012: 546) refer to Hallén & Sandstrom (1992) in a way that relationships in the business market are a result of interactions in the exchange processes, including not only the product-service exchange but also information, financial, technical and social exchanges. Finnish firms and local partners in SEA are exchanging technical know-how and local knowledge. Local knowledge in terms of institutional is what foreign companies are the most not familiar with.

Soft skills can be judged from two stages: firstly the pre-stage, expressing initial motivation and willingness showing to the foreign companies to do business together in SEA before making business agreement; and secondly the post-stage, expressing motivation and willingness to solve problems after business agreements are signed, in order to improve or fostering the business relationship.

From a quote by Leuthesser and Kohli (1995: 222) on buyer-seller relationships, the likelihood of initiating prosperous business relationships is the result of superior knowledge about a buyer's requirements; the buyer is more likely to perceive the supplier as being competent to meet its requirements. Additionally, it also sends a signal to the buyer that the supplier genuinely cares about learning the buyer's business, and is motivated to perform in the buyer's interests. Consequently, the buyer is likely to be more satisfied with the supplier as compared to an otherwise comparable supplier who does not engage in initiating behaviour. From the case studies, the partnerships of Finnish partners with SEA local partners are acceptable to apply this initiation concept. Both counterparts required different resources from each other. The process of developing sustainable business relationships is a procedure of learning as well. The business partners learn from each other and are getting a deeper understanding through business activities. The result of good business relationship is measured by the satisfaction on the business performance.

Despite trust and commitment, interaction, adaptation, interdependence, cooperation, mutual goals, social and structural bonds, promises and shared values are considered as

keys to success in a strong long-term relationship (Harris et al. 2003: 11). Commitment is not only resulting from relationship satisfaction, but also from investments in the relationship, as well as from a lack of viable alternative partners (Bantham et al. 2003: 270). Willingness to work with each other is critical for relationship survival (Bantham et al. 2003; Mohr & Spekman 1994).

There are no nice neat stages in the ways how relationships evolve and develop (Turnbull, Ford & Cunningham 1996: 58). From the results of the cases studies, the possibility to terminate business relationships could be happen at any stage. It could be happen at the stage before an agreement is even signed, or after several years of establishing partnerships. Yet, the concrete reason to terminate a business relationship most likely occurs when trust is lost on a business. In the partnerships between Finnish and SEA companies, trust is not only based on personal relationships but business relationships. Therefore, the business result is critical to determine the trust from the perspective of Finnish companies. Furthermore, the background and capability of partners also affect the development of satisfying, and long-term business relationships. There is no specific time frame determined to foster business relationships in SEA.

5.2. Theoretical contribution

Biggemann and Fam (2011) claim that most of the knowledge in business relationship marketing is grounded on studies conducted in Western countries traditionally. Only in the last few years, scholars have started to question the validity of measures such as trust and commitment to explain business relationships in non-Western contexts. The authors further argued in finding solutions to business problems that deliver value to customers as another fundamental issue. From this Master's thesis, the Thai interviewee working in a Finnish company has major similarities with other Finnish interviewees. Trust and commitment are critical in business relationships. However, people from different cultural background have various opinions to define that.

Past studies on business relationships discussed the satisfactions level on both counterparts but seldom give attention on the value gained by customers. From the result of this Master's thesis, the foreign counterparts emphasised on the importance to cooperate with partners who provide good service to customers. Business relationships are not solely measured by the satisfaction on the balance sheet or the financial performance. In fact, the end value respectively profits delivered in the business is essential, too.

Studies on business relationships have moved to business networks, especially in IMP research. The foreign counterparts do manage the SEA business to an extent that the business activities will not affect the final business goal and overall growth at headquarters. The results from this Master's study shows that the foreign counterparts try to avoid to interfere with the business relationships among the local partners. This is due to the unfamiliar cultures and uncertainty of closeness among the local partners. It may mean that foreign counterparts prefer to manage the dyad business relationship rather than local networks by itself.

5.3. Managerial implications

The research findings provide a useful guideline to Western firms who are newly or planning to enter SEA markets. In addition, the findings help the Western firms to obtain a better understanding of the nature of business relationship in this market. It is important to know the local taboo as well as appropriate business etiquettes in order to avoid misunderstandings and to create more effective interactions. Furthermore, awareness towards cultural differences and the ability reacting quickly to adapt and compromise differences should be highly prioritised in order to achieve a satisfying long-term business performance.

A good reputation of a company supports to some extent a starting business in a new market. However, building business relationships are not about the company but more

related on the persons being involved in the interactions. Therefore, the shared experiences via support of case studies in this Master's thesis may help the foreign representatives to keep awareness on points such as attitudes, adaptation to Asian business style, compromises and others. Entering into an unknown market with dynamic cultures is challenging. Nevertheless, one should keep in mind that business behaviour of SEA people are changing towards a more western and business oriented style. The noises in communication and failures have been reduced compared to earlier days.

5.4. Limitations and suggestions for future thesis

This study is an exploratory study regarding the initiation of Finnish business relationships within a different business environment, in SEA. In this Master's thesis, the sample size is rather small to generalise the results about business relationships in SEA from a Western perspective. Therefore, a larger data collection could be taken in consideration when it comes to future studies. In addition, the sample size may be extended compromising interviewees from some other Western countries. The validity problem of the data may arise especially when using information from one side of the party only. This is rather a subjective result as the sample size is limited, and only examined from views of one side of the counterpart in the business relationships. Potential future studies may consider applying a different research methodology by studying the impact of the relationship process from both foreign and local partners for the same companies. Despite that, future studies may move forward from dyad relationships to study the business network management among local partners in SEA. Future studies may also explore the area of value added to customers – the impact of value added to customers towards the business relationships process of foreign and local counterparts.

This Master's thesis has not implied any detailed discussion on cultural differences regarding Finland and SEA. Hence, potential future studies may include the scope of cultural differences on the counterparts involved in order to study the impact of cultural

differences towards the interactions between partners. In addition, the role of cultural difference may differ when it comes to the termination phase as SEA people are more emphasised on harmony compared to western countries. Moreover, studies based on the resources-based view to examine the model of attraction as business relationships initiated from resources exchanges may be considered in coming research. On the other hand, future studies could study from an institution-based view as institutional environment also influence the partnership behaviour.

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APPENDIX I. Questions of interview

Pre-stage of Relationship

1. How partners are selected?
2. What were your expectations from the relationship in the beginning?
3. Normally, how long time it takes to develop a relationship?

Distances

1. What are the differences between Western countries and SEA/ countries among SEA in doing business? (Political, business structure, cultural)
2. Does common language helps to build relationship?
3. Does the age of representative affects in doing business in SEA?

Developing Stage

1. How has the relationship developed?
2. How to create impression at the first interaction?
3. What are the factors to increase the possibility to cooperate (common culture/ background/ \interest/hobby, business benefits etc?)

Interaction

1. What are the preferred methods to interact with local partners? Why?
2. How frequent does it takes place? Frequent visit (face-to-face, telecommunication etc.)

Personal Relationship

1. Is personal relationship means business relationship in SEA?
2. To what extent personal relationship influences business relationship in SEA?

Trust and Commitment

1. Which party will take initiative to build the relationship to achieve trust?

2. How would you rank the trust?
3. How do you measure the trust?
4. What is the evidence to ensure trust existing?
5. Other than trust, what elements/factors to encourage cooperation?

Interdependency

1. If today the manager/ representative leaves the company, to what extent it affects the relationship with the partners?
2. To what extent the business dependent on each other in SEA? Do they exchange information among the partners?
3. Would you preferred to have close relationship in doing business in SEA or distance? Why?
4. How to control/ maintain a position in the relationship?

Conflicts

1. When conflicts happen, how do you handle? To what extent personal relationship influence the business when conflicts happen?
2. When new opportunities exist with another potential partner, how to start the relationship while you need to taking care the relationship with existing partners?

Quality

1. How do you measure the quality of a relationship?

Conclusion

1. In your opinion, what is important to build business relationship in SEA? How is it different from different countries in SEA? How is it different from when you doing business with the people in SEA and outside this region?
2. The business world is getting globalised and it is possible that the business partners in SEA are Western partners, are the business relationships strategy same as how you interact with the local? What are the differences?

3. What would you do in the future to develop in other countries in the same region?
Would you use the same strategy? Why?