Proposing an operational classification scheme for embryonic cooperative relationships

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ABSTRACT
Successful buyer/seller relationships have become recognised as essential for firms to remain competitive in the marketplace. Today’s business climate encourages firms to not just compete on product or service attributes, but also on their ability to differentiate themselves from other firms. Supply chains provide firms this point of differentiation ensuring firms better competitive positioning as a result of being able to leverage themselves on the strengths of the supply chain, not just on the individual strengths of the firm. However, to maintain an effective role as a participant in a supply chain, firms must be able to develop and maintain cooperative relationships with other firms. In order to develop these relationships, firms need to be able to distinguish between different levels of relationship and be able to understand which relationships are worth developing further and which ones are not.

Whilst supply chain literature acknowledges firm progression from transactional to relational exchange, there is less agreement of the number of levels of both buyer/seller relationships in this theoretical continuum. This article proposes a theoretical continuum of relationship levels based on cross discipline literature and identifies objective classification criteria for relationship levels from both the buyer and the seller. Economic, behavioural and relational research is collectively used to explain the complexity of the ever evolving nature of inter-firm relationships. The article concludes by establishing a research model that proposes these levels of relationships are identifiable for both the buyer and the seller.

Keywords: buyer–seller; cooperative relationships; relationship classification; supply chains

INTRODUCTION
Buyer/seller cooperative relationships have become an essential tool for firms to enhance their organizational performance in the marketplace (Dwyer, Schurr & Oh 1987; Morgan & Hunt 1994). The relationship concept applies to
buyers and the sellers at the firm level, where certain levels of inter-firm relationships enable participating firms to benefit from using other firms’ resources as well as their own to satisfy their customers. The supply chain literature agrees in principle that as firms progress from one-off transactions to fully cooperative relationships, the potential for benefits increase significantly (Dwyer et al. 1987). However, there is divergence in terms of the number of levels of this theoretical continuum and the distinguishing factors between these levels. Part of the confusion stems from the fact that relationships with little cooperation are best explained using economic precepts, while the complex nature of highly collaborative relationships are best explained through behavioural and specific relational theories. This disparity has limited the comparability of research findings and could be a stumbling block for future theory development in the area.

Even if there was agreement in the number and names of relationship levels, disagreement remains in terms of how researchers can objectively classify relationships into these levels (Donaldson & O’Toole 2000). Major directions of classification include life cycle approaches, performance expectations, and the value placed on the relationship. However, these are as likely to appear as dependent variables and therefore a much more promising classification scheme comes from relationship attributes, characteristics and structure (Webster 1992; Dwyer et al. 1987; Morgan & Hunt 1994; Donaldson & O’Toole 2000). Using structural elements to classify levels, researchers would be free to compare and contrast behavioural, attitudinal, and performance changes across the relationship levels.

The purpose of this article is to offer a theoretical continuum of relationship levels, based on the relevant work across several disciplines in the literature, identifying specific and distinguishable levels and objective criteria for classification. This paper makes an important conceptual contribution towards those discussions and debates on buyer/seller relationship level progression through the development of continuum. Therein, it builds on what is currently a broad scope of literature in both the buyer and seller field about the different criteria required for progression between relationship levels.

This continuum creates a four-stage progressive framework. Previous research has identified various levels of relationship starting with an initial transactional relationship and progressing towards the other end of the continuum identified as relational exchange. This research defines testable levels of relationship within this relational exchange category. It also makes a contribution to supply chain literature in that it provides a relationship level continuum which is mutually applicable to both buyers and sellers. In practical terms, this has significant implications for business. A better understanding of the nature of commercial relationships can lead to greater efficiency between firms, resulting in lower costs of operation. Such outcomes can result in lower costs across the supply chain, with the consumer ultimately benefiting by lower prices for goods. The result should be useful for both buyers and sellers.

This paper therefore seeks to serve as both a stimulus and a challenge to practitioners who participate in relationships to view relationship classifications from both a buyer and seller perspective. In that way, we hope this conceptual paper helps provoke scholarly discussion and debate on this relationship classification structure.

This relationship continuum is derived from key literature incorporating an economic, behavioural, and relational perspective examining the evolving complexity of inter-firm relationships and the increasing importance of collaboration. This is followed by a review of various relationship level continua that have been suggested or used in the literature and a discussion of the differences found. From this conceptual grounding, the paper then introduces and depicts a new classification scheme. The following sections then comment upon some key implications of this conceptual framework for buyer/seller relationship development.
LITERATURE BACKGROUND

Economics and relationships

Economic exchange highlights the importance of firms trading together for the purpose of increasing profit and market stability. These forms of exchange concentrate on the need for structural exchange to maximize production and reduce transaction costs from both an efficiency and an organizational-based economic perspective.

Early efficiency based theories sought to understand how structured exchange could provide an advantage for participating firms such as contracting out specialized tasks to external specialist middlemen, who were able to provide a service at a lesser cost than could the producer itself (Mallen 1973). These ‘functional spin-offs’ could be mutually beneficial, to the producer, and to the specialist. Classical, microeconomic theories note the need for the exchange to be performed in a structured manner that provides a firm with benefits such as specialization (Stigler 1951), reduced transaction costs (Mallen 1973) and reduction in risk and uncertainty (McGarry 1951). Coase (1937) observed that coordination and costs must be considered when determining why firms internalize certain exchange functions and out-source others. This observation was furthered by Mallen (1973) who recognized that firms (hierarchies) and markets provide alternative forms of organizing economic exchanges, thus recognizing the potential influence of opportunism and uncertainty (Hill 1990).

While these economic theories explain how we enter and exit discrete transactions, not all exchange relationships are discrete. Continuing economic exchange is also possible, and requires control measures to recurrent cost/benefit decisions, reduce uncertainty and minimize transaction costs. However, as relationships continue, non-economic factors such as power, dependence, and trust become influences in the success of the relationship, so the economic transaction theories are supplanted for more complicated behavioural theories.

Behavioural theories of the relationship

In contrast to economic theories, behavioural exchange recognizes the impact of other behavioural related variables outside of the control of the firm. These behavioural variables influence the quality and type of exchange achieved between buyers and sellers. The variables include:

- control (Stern 1967);
- power (Frazier 1983; Gaski 1984; El-Ansary & Stern 1972; Gaski & Nevin 1985);
- dependence (Emerson 1962; Frazier 1983);
- cooperation, conflict (Stern & Reve 1980); and

Under behavioural theories such as Resource Dependency Theory (RDT) (Pfeffer & Salancik 1978), we look at why firms need to trade together, and the Political Economic Paradigm (PEP) provides a framework of how firms can balance dependence through social interaction. PEP is concerned with evaluating the two party exchange relationship of a channel dyad to determine which economic and behavioural factors influence the collective channel behaviour and performance (Achrol, Reve & Stern 1983). RDT is based on the assumption that few organisations are self-sufficient in regard to critical resources (Heide 1994). Its main premise is that it seeks to reduce uncertainty and manage dependence by helping firms’ structure exchange relationships with formal and semi-formal links with other firms for continuity of supply purposes (Ulrich & Barney 1984; Pfeffer & Salancik 1978). Pfeffer and Salancik (1978) suggest that a firm needs to coordinate and control its suppliers’ activities to reduce its own uncertainty in the exchange. Beverland and Bretherton (2001) suggest that the drive for firms to influence and control the environment as posited by RDT is reflective of why firms form strategic alliances. They further state that the formation of alliances provides firms, not only the ability to reduce uncertainty, but also to take advantage of new opportunities (Heide & John 1990). Firms’ control of resources, through
management of external dependencies with inter-firm relationships, helps to explain why firms engage in a wide range of inter-firm relationships. These theories recognize the importance of analyzing exchange from both economic and behavioural perspectives, underscoring the complexity of relationships. Both these theories acknowledge the complexity of relationships and seek to explain how relationships are formed, suggesting that they cannot be understood by examining them from only one perspective.

Understanding the influence of power as a concept is central to understanding how one channel member can influence another channel member (Hunt & Nevin 1974; El-Ansary & Stern 1972; Stern 1967; Cox 1999; Heide 1994; Gaski 1984; Frazier 1983). The term channel member comes from marketing literature and refers to intermediaries, resellers and middlemen who negotiate with one another, including buying and selling. They facilitate the change of ownership between buyers and sellers driving the process of moving products from the manufacturer to the final customer (Rosenbloom 2004). The linking of producers to other intermediaries or channel members can include contractual arrangements, and purchase or resale of products (Pride & Ferrell 2000). Emerson (1962) suggests that the influence of power is based on the level of dependence of one firm on another. The party with less dependence in a dyadic relationship possesses more power.

An organization creates its base of power by determining the resources it has to influence decisions. The worth or value of these resources, and how they are utilized, helps to determine their influence in the behavioural process (Stern & Reve 1980; Skinner, Gassenhiemer & Kelley 1992; Scheer & Stern 1992; Lusch & Brown 1982).

Dependence upon other firms is another strong influencing factor on why firms choose to do business together. Dependence comprises three core elements: the degree of importance of the resource to the firm, the extent of the discretion the supplying party has over the resource, and the scope of alternative options (Pfeffer & Salancik 1978). Whereas power is determined by the control of resources, dependence is a function of the resources not held by an organization (Pfeffer & Salancik 1978). Dyadic members who are very dependent on others often work harder at maintaining their relationships by increasing cooperative exchanges and minimizing conflict situations (Frazier, Gill & Kale 1989).

The minimization of conflict helps create an opportunity for the building of positive relationships that exists with cooperation and satisfaction (Anderson & Narus 1984). Stern and Reve (1980) define conflict as a hindrance to the accomplishment of individual or mutual goals, whereas cooperation greatly increases the potential for successful attainment of individual and mutual goals, at the expense of a certain amount of autonomy (Morgan & Hunt 1994). The adoption of a mutual focus provides participating parties a more equitable share in the establishment and daily development of the relationship and this in turn reduces the power and dependence issues that create conflict in relational exchanges.

The behavioural influences of control, power, dependence, conflict, cooperation and collaboration are acknowledged as influential in determining the firm’s ability to develop exchange relationships. Anderson and Narus (1990) suggest that buyer-seller collaboration is based on a form of mutual acceptance where the success of one firm is to some degree dependent upon the other firm in the relationship. With both parties having the power to shape the future collaboration develops from an acceptance of the inter-dependence between firms in reducing uncertainties inherent in the relationship (Salmond & Spekman 1986). Collaboration is an output of purposeful cooperation and aided in its development through communication, commitment and work patterns that maximise the combined strengths of relationship partners and minimise the destructive potential of inter-firm conflict (Spekman 1988). However, as relationships further develop into collaborative partner-
ships, power and dependence is not sufficient to understand why firms remain and continue to develop these relationships.

This article accepts a risk from a supply chain perspective and encompasses risk associated with inventory costs, sharing information, flow of money as it relates to pricing, hedging and timely payment of bills. Also risk such as quality, product design, production, and supply development affect stability (Spekman & Davis 2004). Risk, as directly associated with this paper focuses on risk of forming relationships with an unknown third party. Firms expose themselves to risk when they become dependent upon relationships with other firms. Spekman and Davis (2004: 431) go further to suggest that in participating in collaborative exchange activities such as sharing information opens firms up to risk ‘by virtue of the interdependence that exists between trading partners’. These firms expose themselves to risk as they seek to establish supply chain partnerships which create cost benefits and competitive gains (Spekman & Davis 2004). The dimension of risk through relationship association concerns the degree of inter-dependency amongst the participants and the opportunity for one of the participants to act in its own self-interest to the detriment of other supply chain members (Spekman & Davis 2004). The move from a contractual arms-length relationship to other more collaborative arrangements or alliances exposes both parties to risk that can no longer be mediated or managed by contractual agreement.

Risk is managed through development of close relationships. While the mitigation of all risks cannot be assured, ‘the development of trustworthy relationships can impact processes and reduce the chance of risks affecting the performance of the supply chain’ (Spekman and Davis 2004: 432). As buyers and sellers do not always share equal amount of risk, performing the relationships, Hallikis et al. (2004) suggest that increased cooperation or tighter relationships can contribute to risk being transferred between partners. Indeed, Varadarajan and Cunningham (1995) suggest that the strategic alliance relationship is sometimes formed for the purpose of reducing risks for each member, such as capital outlays, technical and market uncertainties.

**Relational exchange theories**

Whilst the relational exchange concept contributes to other relational concepts, such as relationship marketing, channel theory, and networks, it is of special focus in this review as it is a recognized beginning of behavioural exchange between buyers and sellers. Further, it provides an understanding of the relationship continuum from the most basic transaction (discrete) through relational development, progressing into varying levels of long-term relationships. As suggested by Beverland and Bretherton (2001), strategic relationships are formed to reduce uncertainties and provide opportunities for both parties. Creation of uncertainty can be a result of a firm not having sufficient resources themselves to compete in the marketplace (RDT). Relational exchange theories further support the formation of relationships through relational exchange.

Relational exchange can be characterized as a series of regular transactions over a long-term period (Fontenot & Wilson 1997). In the initial stages of understanding of relational exchange, Macneil (1980) and Donaldson and O’Toole (2000) identified that the existence of bilateral relations is where parties work together to achieve common goals results in fostering reliable repeat business. Parties that engage in establishing and maintaining relational bonds benefit from reduced uncertainty and increased exchange efficiency (Dwyer, Schurr & Oh 1987). These relational bonds include contractual relations, joint marketing programmes, and long-term relationships (Fontenot & Wilson 1997).

The defining characteristics of relational exchange are based on its creation by way of ad hoc voluntary development. Dwyer et al. (1987) note that exchanges can be intra-firm in the form of vertical integration, or inter-firm in the form of long-term relationships. They further focus on
the relational exchange concept as a means of developing buyer/seller relationships in channels. For this exchange to develop and become reliably recurrent there needs to be a level of commitment by both parties to the relationship. Successful relational exchange between firms develops characteristics desirable to firms such as trust, commitment and communication (Fontenot & Wilson 1997).

It is necessary to understand the importance of inter-firm commitment in developing stable buyer/seller relationships. Similar to trust, definitions of ‘commitment’ also vary depending upon context and application in a relationship. It can range from as little as an informal agreement to financial contribution to specific assets for long-term exchange. Commitment is the willingness of a firm to provide resources for the purpose of demonstrating their dedication to the continuation of a relationship (Fontenot & Wilson 1997; Kumar 1996; Cann 1998). This level of dedication depends upon the involvement of a firm in the relationship, and at an advanced stage, denotes a level of relationship satisfaction that precludes potential exchange partners who could provide similar benefits (Dwyer et al. 1987).

Commitment signifies, to successful relationships, a pledge of continued relational exchange that implies a willingness to sacrifice short-term goals for long-term benefits (Dwyer et al. 1987; Anderson & Weitz 1992). The quality of a relationship is both a precursor to and a result of a firm’s motivation to invest in a relationship. Quality relationships in turn produce mutual commitment and a willingness to invest in specific relational assets (Anderson & Weitz 1992; Morgan & Hunt 1994). Commitment signifies the highest form of relational bonding between firms (Dwyer et al. 1987) and contributes to the longevity of long-term relationships (Gundlach, Achrol & Mentzer 1995).

Communication plays an important role in the ability and the desire of a firm to advance their trading relationship. Communication has a significant influence on the ability of trading partners to form strong relationships (Berry 1995; Holden & O’Toole 2004; Mohr & Nevin 1990). Open communication is associated with trust between relationship partners (Morgan & Hunt 1994; Anderson & Narus 1990; Berry 1995). Collaborative communication in exchange relationships relies on mutual cooperative attitudes and helps regulate compliance amongst relationship members (Morgan & Hunt 1994). Since satisfaction refers to the meeting of expectations between buyers and sellers, it is proper that communication contributes to these expectation evaluations, in that it enhances the way that exchange partners perceive each other (Williams & Spiro 1985).

Successful relationship outcomes influence the firms’ willingness to further develop their trading relationships. Relationship outcome is the operationalized construct that captures the costs and benefits of maintaining the relationship, compared to the expected outcome value of the relationship (Anderson & Narus 1990). Relational exchange will therefore continue or cease, dependent upon satisfactory achievement of expected relationship outcomes (Fontenot & Wilson 1997).

Relational exchange also provides firms with the opportunity to develop successful relationships into key resources of firm value. Resource theory’s key premise is the firm’s ability to develop key resources important to the functions of production, distribution, and marketing of its own products (Wernerfelt 1984; Barney 1986, 1996; Conner 1991; Hogan 1998). Unlike resource dependency theory, a key assumption of resource theory is the firm’s ability to acquire the necessary resources without dependence on other firms in the industry, by ‘maximizing the value derived’ (Hogan 1998: 13) from important relationships. In this theory, achievement of competitive advantage is possible through intangible value attained from key collaborative relationships, which also contain tangible value in shared assets (Hunt & Morgan 1994; Hogan 1998; Peteraf 1993).
Through the economic, behavioural, and relational approaches, there is a variety of explanations offered as to why firms are motivated to form and develop relationships but these explanations seem to apply to specific stages of relationship development. Economic theories focus on the low-collaboration transactions, where opportunism is expected. Behavioural theories tend to explain ongoing relationships where one of the parties has some economic, political, or resource dominance and relational exchange theories are interested in the highly collaborative relationships where sharing of resources is the norm. As such, it is important to identify the distinct levels of relationship development in order to determine the most appropriate relationship theory.

THEORETICAL DISCUSSION

Relationship continua

There are two main streams of research that focus on the changes and development of buyer/seller relationships. One stream involves the study of stages in the relationship life cycle (Ford 1981; Dwyer, Schurr & Oh 1987; Cunningham & Homse 1988; Knox & White 1991; Moore 1991; Jackson 1994; Palmer & Bejou 1994; Heide 1994; Wilson 1995) and the other looks at the structure, characteristics and attributes that contribute to the nature of the relationship (Dwyer et al. 1987; Donaldson & O’Toole 2000; Morgan & Hunt 1994; Day 2000; Webster 1992). The concentration on attributes, characteristics and structure of the relationship is preferable as it can be used to assess changes in performance and other behavioural and attitudinal characteristics of inter-firm relationships (Day 2000; Webster 1992; Macneil 1980; Donaldson & O’Toole 2000).

While there is considerable variation in the number and names of relationships levels, there is some agreement on the beginning and end points (Macneil 1980; Webster 1982). Basic transactional exchange, also known as a discrete transaction (Macneil 1980), is positioned at the beginning of the continuum, with collaborative or relational exchange at the opposite end.

Webster (1992) identifies seven stages of exchange along a continuum (Figure 1). However, Webster’s stages of ‘network organizations’ and ‘vertical integration’ suggest joint ownership, and therefore the relationship ceases to exist between these firms.

Day (2000) bridges the end points with opportunities for value-added activities. This concept provides both buyer and seller the chance to develop relationships by adding value to their relationship (see Figure 2). Another contribution

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<td>Transactions</td>
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**FIGURE 1: WEBSTER'S RANGE OF MARKETING RELATIONSHIPS**

**FIGURE 2: DAY'S RELATIONSHIP SPECTRUM**
Source: Day S (2000).
of the relationship spectrum is that it has operationalized the exchange into identifiable relationships common in business (Day 2000). It is from these relationship continua that this research proposes its relationship levels.

**Relationship levels**

The four relationship levels proposed in this research are drawn from existing relationship continua and include: discrete; repeated; long-term; and strategic alliance (Macneil 1980; Webster 1992). In choosing the relationship levels, it was important that they represented a relationship commonly found in practice, and they were sufficiently different to minimize any confusion.

**Discrete relationships**

The discrete relationship is limited to a simple exchange transaction, and often there is a range of suppliers for the buyer to choose from. The discrete relationship, in effect, is not really a relationship at all, but more a simple one-off exchange that almost exclusively marginalizes relational elements. The discrete relationship is defined by the absence of a relationship or even a transaction record prior to the buyer’s purchase, and anticipates no further exchange between the transaction participants. In the discrete relationship, each party tries to maximize its relational gain at the expense of the other. Each tends to ignore the other party’s identity, and they strictly limit communication to the content of the transaction, avoiding multiple parties and treating the objects of the exchange like products for sale (Macneil 1980).

Usually buyers will engage in horse trading—that is, they will use a selection of suppliers to ensure there is sufficient competition between those suppliers to gain a fair price for their product. This type of limited relationship is also characterized as adversarial or arm’s length, because it puts a low emphasis on joint value creation and is not concerned about inter-firm dependence on each other (Buzzell & Ortmeyer 1995). Since there is minimal interaction in these relationships, the transactions tends to be measured and decided by price, which becomes the most important criterion for buyers and sellers.

**Repeated relationships**

This relationship level requires regular interaction between firms. Regularity is central to the existence of this type of relationship. Input dominance exists, and it is often the buyer or the party that establishes the terms and conditions of the supply contract who has the dominant influence or control. Repeated relationships are contractual in nature, with the contractual terms dictated by the dominant party. Communication in this relationship remains transactional and therefore of a formal nature.

**Long-term relationships**

Traditionally, when a buyer has been using a regular supplier as part of the transaction exchange process, the relationship has the potential to move from a repeated exchange to a longer-term relationship. For this shift to take place, organizations with a prior exchange history will have developed a level of reliance on their exchange partners to perform their jobs. This willingness to depend on exchange partners (Moorman, Zaltman & Deshpandé 1992) creates an atmosphere for the relationship to be developed. Cooperative behaviour is an outcome of many credible experiences benefiting both parties as they interact with each other. This may be observed through more open communication, and it often develops into information sharing. The long-term relationship is characterized by an advanced level of embeddedness (Granovetter 1985) built upon mutual cooperative behaviour, with the aim of achieving mutual objectives.

While the purchasing process is likely to remain formal, the performance measures are likely to cater for more flexibility and interaction than in the case of a less relational exchange. Of low importance is the idea of preserving firm autonomy, as these relationships tends to share risks and benefits, thus motivating information...
exchange and shared expectation of success. Both firms view the time horizon of exchange as long-term, but concentrate more on operational issues than strategic ones (Donaldson & O’Toole 2000).

This relationship level depends on regular mutual interaction to develop the relationship bonds that ensure the relationship’s longevity. Long-term relationship success depends on continuous mutual input from both relationship participants. This input tends to be equal in nature, therefore neither party is significant. Long-term relationships are often contractual; however, the terms of the contract are mutually decided between the two parties. Communication remains formal, even though it is more open. Participants in long-term relationships benefit from long-term contracts, which reduce opportunistic behaviour. Whilst this level of relationship focuses on mutual goals through cooperative behaviour, it does so at an operational level; therefore, no competitive positioning occurs as a result of this level of relationship.

**Strategic alliances**

Strategic alliances are, by definition are strategically focused, and are characterised by attributes that reflect a cooperative and strategic focus, such as the desire to achieve a win/win relationship (Ellram & Hendrick 1995; Segil 1998; Whipple & Frankel 2000). Other attributes include the focus of the participants to increase inter-firm loyalty (Ellram & Hendrick 1995; Joseph, Gardner, Thack & Vernon 1995) and share goals (Ellram 1995), while retaining elementary relationship attributes of shortened lead times (Johnson 1999) and efficiency interactions (Johnson 1999). Strategic alliances entail the pooling of specific resources and skills in order to achieve common goals, as well as achieve each partner’s strategic intent (Varadarajan & Cunningham 1995; Hamel 1991; Spekman & Sawhney 1995). This intent often includes competitive advantage (Bronder & Pritzl 1992; Borys & Jemison 1989; Beverland & Bretherton 1998; Spekman, Forbes, Isabella & MacAvoy 1998) which is suggested is the ultimate motivation for forming strategic alliances (Hii 1999; Johnson 1999; Vlosky & Wilson 1997; Sheth & Sharma 1997; Hausman 2001). In order to compete as an effective alliance, firms need a ‘competitive strategy which will provide them a competitive position in an industry’ (Porter 1985: 1). Hii (1999: 2) goes further to suggest that ‘competitive advantage for a firm depends not only on its own internal capabilities, but on the scope of its relationship with other companies’. This competitive positioning requires both firms to share a strategic vision, which includes developing a strategy to complement each other’s skills to maximize effective use of their joint resources and expertise. Several authors suggest that alliances are not just formed with repositioning in mind, but also as a defence mechanism protecting existing market position (Lorange & Roos 1993; Ohmae 1989; Bretherton 2003, Segil 1998). Other reasons driving the establishment of strategic alliances include shared risk (Bucklin & Sengupta 1993; Bretherton 1993; Mohr & Spekman 1994; Teece 1992), economies of scale, and lower cost access to and better coordination of technologies (Bretherton 2003; Hamel, Dos & Prahalad 1989; Anderson & Narus 1990; Mohr & Spekman 1994, Spekman & Salmond 1992; Varadarajan & Cunningham 1995, Spekman et al. 1998). Another well-supported rationale for forming strategic alliances is influenced by resource dependency theory in that firms desire to reduce environmental uncertainty (Varadarajan & Cunningham 1995; Beverland & Bretherton 2001) or secure market advantage (Bucklin & Sengupta 1993; Beverland & Bretherton 2001; Lorange & Roos 1993).

As a relationship evolves over time in a long-term direction, unexpected surprises between partners decline, and the pretence of engaging a formal contract for monitoring supply is largely abandoned (Laing & Lian 2001). However, cooperative relationships are not always sufficient on their own. By broadening the scope of the organization through the formation of an alliance, the firm needs only minimal internal
adjustment to share in joint value activities (Yoshina & Rangan 1995).

The main distinction between long-term relationships and strategic alliances focuses on the strategic intent. Strategic alliances are based on the premise that each firm has goals that are compatible and directly related to each partner’s strategic intent (Hamel 1991; Spekman & Sawhney 1995; Spekman et al. 1998; Bronder & Pritzl 1992). Strategic alliances form a strategic vision and communicate at multiple levels with other alliance partners. Long-term relationships remain at a tactical level, communicating with their partners at an operational level for exchange reasons.

Relationship classification

While it is important to have the four different relationship levels, it is also important that future research is able to consistently classify a particular relationship as one of these levels. To achieve this, a classification scheme has been developed based on five structural elements found in all relationships. These elements were drawn primarily from the work of Macneil (1980), Webster (1992), and Donaldson and O’Toole (2000) and include regularity, input dominance, contractual status, communication status, and competitive positioning.

Regularity refers to the constancy of exchange transactions between the exchange partners. The scope for this criterion begins with two or more exchanges at recurring intervals and progresses towards ongoing regular interaction at the mature level of this concept. Regularity does not recognize one individual exchange transaction in itself. Input dominance refers to the amount of influence and control one exchange partner has over another.

Contractual status represents the degree to which a contract governs the exchange process. Although contracts can be either informal or formal, the scope of this criterion only considers the extent of formal contracts in defining exchange requirements (Lusch & Brown 1996).

Communication status defines the type and mode of communication links between firms for a given relationship. The scope comprises the type of exchange in which the communication is used (e.g., transactional, operational or strategic), and the mode in which the communication is delivered (e.g., formal or informal).

Competitive positioning refers to the ability of the relationship to position both parties in the marketplace in a more competitive position than they would achieve if they were not in this relationship. The competitive positioning criterion revolves around the premise that the relationship enables this change in positioning to occur, and that this positioning change must enable both firms to be more competitive than they would be on their own. If we apply these structural elements to the relationship levels proposed, it becomes clear how they will be able to classify relationships found in practice into the relationship levels that are so important for research in relationship development.

Figure 3 provides a summary of the relationship classification criteria as they pertain to each relationship level.

From Figure 3, we can see that the discrete relationship is distinctive from the other levels of relationship due to its non-regularity of exchange. This one-off approach minimizes the possibility of this level of relationship contributing in any other relational manner. The repeated relationship is distinctive in that one party often controls it and short-term contracts are used. This too minimizes its opportunity of becoming relational and mutually attractive. The long-term relationship reflects a mutually acceptable operationally focused relationship, whereas the strategic alliance focuses on attainment of strategic goals through competitive positioning.

CONCLUSION

In the conception of the relationship classification offered in this paper, relationship orientated practitioners can begin to gauge which relationships are worth investing in and which ones are not. If this classification structure were to be adopted and applied in practice, it would estab-
lish a known level of expectation between both relationship participants. This classification structure could also act as a stimulating mechanism developing mutually important relationships acceptable to both parties. In part, this classification structure contributes towards solving the dilemma raised by Campbell (1997) regarding the need for both buyers and sellers to understand each other’s levels of expectation in their relationships. Ultimately, by embracing this classification structure, practitioners and researchers alike will be armed with the ability to consistently identify relationship levels, enabling them to test how other important attitudinal, behavioural and performance constructs change as the relationships develop. This at least in part provides a framework for analysing the forces and factors that cause firms to move up and down the relationship continuum as stated as an important focus for further research by Webster (1992) and Hogan (1998).

**FUTURE RESEARCH**

A number of questions arise of how to further maximise the use of this classification structure. The next step in the development of these relationship levels and their classification is to use them in empirical research. For example, researchers could identify how important variables such as performance measurement, trust, opportunism, and relationship value changed as relationships developed. Further empirical research using this framework may also consider the impact of different supply chain roles in the progression between relationship levels and whether industry sector or position in the supply chain influence a firm’s movement between relationship levels. Developing an understanding of which elements influence a firm’s ability to develop from an embryonic relationship to a more cooperative relationship will contribute to enhanced firm performance.

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