

# **BUYER-SELLER PARTNERSHIPS IN BUSINESS MARKETS**

by

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## **Abstract**

This thesis reports on an empirical investigation of buyer-seller partnership initiations and functioning in business markets evidenced in the Chinese shipping industry.

The purpose of this study is to contribute to theory on the nature of buyer-seller partnerships by providing a holistic description of the phenomenon and its distinctive attributes. While both academics and practitioners have demonstrated interest in this type of relationship, extant studies of buyer-seller partnerships lack consistency and are often built on the basis of a single underlying theory, model or explanatory paradigm, which results in competing explanations of partnerships and which leaves the understanding of the phenomenon rather fragmented. Moreover, there are only a few dyadic studies that look at buyers' and suppliers' perspectives on the same partnership simultaneously; this highlights another gap in the understanding of partnerships. Drawing on previous research and the gaps identified, this study addresses the key aspects of buyer-seller partnerships through a dyadic approach.

The ways in which partnerships are initiated and operate may vary between different industrial and cultural contexts. While the majority of partnership studies have been carried out in European and American manufacturing industries, there have been very few studies conducted in industrial services and Asian countries. Thus, the Chinese container shipping industry has been chosen for this investigation. A case study research strategy has been adopted and carried out using qualitative interviews with the focal supplier company and its customers, along with direct observation and secondary data sources.

The study provided a number of findings on partnership-specific attributes and the ways partnerships are initiated and operated. Based on the conclusions drawn from the research findings, advancements in understanding partnerships as types of business relationships have been made, an integrative model of a partnership has been proposed and a series of guidelines for practitioners have been developed.

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## **CHAPTER 1**

### **1. Introduction**

The relationship between a buyer and a seller lie at the heart of business. It has been acknowledged in academic literature that relationships developed between parties are affected by external factors, such as culture and industry, as well as by the behaviour of buyers and sellers. The effects of these factors vary across relationships, which leads to the development of a variety of relationship types between buyers and sellers. One type of relationship developed in business markets and studied by academics is the buyer-seller partnership. However, studies regarding buyer-seller partnerships lack coherent explanation of the phenomenon. Thus, this research seeks to extend understanding of the nature of buyer-seller partnerships in business markets by carrying out an empirical investigation in a relatively new context.

This initial chapter describes the rationale for this research, along with its key objectives and the structure of the thesis.

## **1.1. The rationale for the research**

### **1.1.1. Addressing theoretical inconsistency**

The two last decades have witnessed much discourse in connection to buyer-seller relationships in business markets. Although academics have highlighted the existence of a relationship between buyers and sellers, they have also drawn attention to the fact that there is an absence of unique understanding of what the term “relationship” in fact means, and whether it can be applied to describe *any* buyer-seller interaction. As argued by Zolkiewski (2004), “the term relationships is being over-used (and even abused) in marketing” (p.28). Therefore, there have been a number of calls to come up with “more pertinent terminology” (Zolkiewski, 2004, p.28) to reflect the various types of buyer-seller interaction which have been found to form a wider spectrum than simply “short-term” and “long-term”, and “distant” and “close”. In particular, it has been recognised that a new language is emerging to differentiate those specific close, mutual relationships in which a firm might be (but not necessarily is) involved in within business markets (Zolkiewski, 2004). Such relationships have been included in several relationship typologies (e.g. Rinehart et al., 2004; Laing and Lian, 2005), and are referred to as “partnerships”.

It is assumed that everyone intuitively shares the same understanding of what a partnership between a buyer and a seller is (e.g. Lemke et al., 2003). Generally, there is an agreement that the term refers to either relationships that are closer than any other (Lambert et al., 1996), “close sharing relationships” (Ellram, 1991), or simply close relationships (e.g. Kerns, 2000; Lemke et al., 2003; Goffin et al., 2006). However, when trying to extend understanding of partnerships beyond the concept of closeness, different authors either do not specify their



theoretical approaches, or tend to build their analysis on the basis of a single underlying theory, model or explanatory paradigm (e.g. transaction cost theory, relationship marketing) (Donaldson and O'Toole, 2000), which results in competing explanations of partnerships. Indeed, the definitions of the term often appear to be too vague (Lemke et al., 2003), while the outlined attributes of partnerships show only limited acceptance across the studies, and the ways in which these attributes are addressed differ significantly (e.g. Young and Wilkinson, 1997; Wong et al., 2010). At the same time, partnership is clearly a multidimensional concept and can be fully understood only if addressed from multiple perspectives. Indeed, rather than focusing on the key concepts suggested by a particular theory various attributes should be considered simultaneously, as they tend to co-exist (e.g. Cannon and Perreault, 1999; Donaldson and O'Toole, 2000). Thus, this research draws on multiple theories, integrating their different approaches and concepts with empirical observations in order to obtain a clearer picture of a buyer-seller partnership.

When focusing on partnerships, researchers tend to list attributes without explaining their specificities in relation to partnerships. For example, although trust is typically found to be high in partnerships, it is not necessarily clear whether trust is high on both the buyer's and the seller's parts, nor whether the structure of trust on each side is the same. Additionally, although a few researchers have noted that partnership attributes can relate to different aspects of the phenomenon, such as the actors' behaviour in a partnership, relationship strength, and interpersonal character (e.g. Donaldson and O'Toole, 2000), partnership attributes are rarely systemised and are usually presented in the form of a table or list without any structure. Previously published research perhaps suffers from a tendency to assume that partnership is self-explanatory, which can limit further investigation into the phenomenon. This research

seeks to overcome this by clearly identifying partnership attributes that can allow more precise presentation of the phenomenon.

When investigating partnerships, authors mainly consider the attributes and rarely focus on motives and conditions for their initiation. Therefore, generally speaking, quite little is known about the motives and conditions that are *specific* to buyer-seller partnerships. However, when considered, similarly to attributes, motives and conditions for engagement in partnerships are usually addressed in the light of a particular theoretical approach, like transaction cost theory (e.g. Chen and Wu, 2010) or resource- and competency-based perspectives (e.g. Ploetner and Ehret, 2006). Different approaches provide different results, which opens the question of whether actors' engagement in partnerships is motivated by a particular factor or a combination of these. In addition, there is a gap in information on whether buyers and sellers have similar motives for engaging in partnerships. Empirical studies focus *either* on a buyer's *or* on a seller's perspective, with the latter being addressed much less (Campbell, 1997; Gibson et al., 2002; Lettice et al., 2010). Thus, these aspects also need to be clarified in relation to buyer-seller partnerships in order to expand the understanding of this type of relationship.

Consequently, while recognised as an important form of relationships, partnerships remain under-researched in a number of respects. This research, thus, attempts to build on existing knowledge and to take the understanding of partnerships further.

### **1.1.2. Addressing methodological limitations**

The majority of studies of buyer-seller partnerships are one-sided. Usually, a customer's perspective on "managing" and evaluating suppliers, or a supplier's perspective, on building ties with customers is addressed. The resulting view on partnerships, therefore, is often built on the basis of only one perspective, which arguably offers only limited explanation of the nature of the phenomenon. Indeed, it can be argued that only a dyadic perspective can uncover the differences and similarities in buyers' and sellers' visions of and behaviour in partnerships (Ellram and Hendrik, 1995), and thus provide a better understanding of them. However, due to the high level of complexity of the process very few studies have looked at partnerships from a dyadic perspective (Bantham et al., 2003). The dyadic approach to partnership research, therefore, represents an opportunity to contribute to existing knowledge and, thus, is adopted in this study.

Whether a one-sided or a dyadic perspective is adopted, it can be observed that the majority of partnership studies adopt a quantitative approach, with an overriding tendency to formulate measurements of partnerships and their attributes (e.g. Tuten and Urban, 2001). Nevertheless, there is a need to obtain an understanding of the phenomenon before measuring it, especially when it is poorly understood and its theoretical base has not yet been substantially developed. From this perspective, qualitative research serves the purpose of the study better in terms of getting an understanding of buyer-seller partnerships, as it allows for a deeper investigation into the thinking processes of the people who are actually involved in partnerships with their buyers and suppliers.

### **1.1.3. Addressing context limitations**

It is widely accepted among academics that all business relationships are affected by the context in which they are developed. Therefore, buyer-seller partnerships developed in various industries and cultures are likely to carry context-specific attributes and features. However, while there has been some research conducted in the area of partnerships in manufacturing industries, there is almost no extant research on partnerships in business-to-business service industries. Since service industries are at the root of the development of relational perspectives in marketing, such an omission is surprising. The investigation of business-to-business service industries, therefore, represents a fruitful field of research. This is especially relevant in the light of recent studies by Vargo and Lusch (2004a, 2004b) and Lusch et al. (2008), who argue that a number of industries in business-to-business markets follow service-dominant logic rather than the traditional goods-dominant route. Service-dominant logic implies the presence of attributes which are often associated with partnerships: collaboration between companies, involvement of customers in the process of service provision and communication through dialogue rather than simply impersonal communication. Therefore, it is perhaps the right time to extend the body of knowledge on partnerships by conducting research into the business service industry.

In addition, while there is solid body of literature on buyer-seller partnerships developed in Western cultures, the research regarding Eastern ones is still limited, despite increasing interest in emerging economies. As the rising leader on the global economic scene, China deserves particular attention (Buttery and Leung, 1996). The cultural context of China combines in itself Confucian traditions (Wang et al., 2005), experience of planned economy (Wu and Davidson, 2011) and the relatively recent “open-door” policy (Nolan, 1995).

Investigating buyer-seller partnerships under such a combination of factors might provide new insights into the phenomenon and, thus, contribute to its understanding.

With very few exceptions (e.g. Laing and Lian, 2005) studies of partnerships rarely explicitly take the context of the research into consideration. However, it would be unrealistic to assume that a buyer-seller partnership can be presented as an ideal type that is immutable across various contexts. Indeed, environmental and situational factors are equally responsible for the formation and functioning of different relationships, as are actors' behaviours. Therefore, context specificities should be taken into account, since this could arguably help to clarify differences between various conceptualisations and, thus, clarify the overall understanding of buyer-seller partnerships.

## **1.2. The aims of the thesis and the objectives of empirical research**

The discussion above demonstrated that “despite extensive writing in the area of characterising partnerships, researchers state that the concept of partnerships and their exact nature is still only poorly understood” (Duffy, 2008, p.228). Clearly, then, a more detailed investigation of partnerships is required. Therefore, drawing on the previous research and the gaps identified above, the three overall aims of this thesis are listed in Table 1.1.

**Table 1.1. Aims of thesis**

No.	Aim
1.	To advance understanding of the nature of buyer-seller partnerships by conducting an enquiry into their key aspects, which have been outlined but underexplored within prior research.
2.	To extend the body of knowledge by studying partnerships in a new context.
3.	To provide a more complete picture of buyer-seller partnerships by adopting a multidimensional approach and a dyadic perspective.

These aims are addressed by carrying out an extensive literature review and an empirical investigation into buyer-seller partnerships in the shipping industry in China. The empirical investigation is carried out through the case study of partnerships between the Chinese container terminal CTX and its customers. Since the investigation requires in-depth understanding of companies' behaviours, the qualitative approach is considered the most appropriate. Thus, the case study is developed using data from qualitative interviews with CTX managers and their counterparts in customer companies, and this is complemented with direct observations and documentary evidence.

Based on the limitations of the existing research on buyer-seller partnerships, and in order to fulfil the aims of the thesis identified above, the initial general objectives (ROs) of the empirical research have been set out and are outlined in Table 1.2.

**Table 1.2. The general objectives of the empirical research**

No.	Objective
RO1	To explore and understand the conditions for initiation of buyer-seller partnerships and the motives of the parties for engagement in them.
RO2	To understand the effects of Chinese context on partnerships initiation.
RO3	To explore and understand the way buyer-seller partnerships function through addressing their distinctive attributes.

These objectives form the two key building blocks of the research framework, namely **partnership initiation** and **partnership functioning**. Formulated in this general manner, the objectives evolved and expanded as the research progressed through the literature review and empirical investigation.

The empirical study consisted of two parts. Study 1 was carried out on the focal company in order to obtain an initial understanding of the research context, the seller's overall perspective on relationships with its customers, and the seller's perception of a buyer-seller partnership in the shipping industry. On the basis of the findings of Study 1, additional aspects of the research emerged and needed to be taken into account in the second stage of the empirical investigation. Thus, the research objectives further evolved, as explained in the end of section 4.3 in Chapter 4. Guided by the literature review and the results of Study 1, Study 2 included an investigation of part of the focal company's network. The partnerships between matched buyer-seller dyads, where the focal company represents the seller and shipping line companies, and the end-user companies represent buyers, were investigated.

### **1.3. Structure of the thesis**

This thesis consists of six chapters. Chapter 1 introduces the subject and outlines the key aims of the thesis and the objectives of the empirical research. Chapter 2 provides the literature review and aims to introduce the research field and the material dealing with buyer-seller partnerships. First of all, the concept of relationships and the place of partnerships in buyer-seller relationships are addressed. Then, the existing knowledge on motives and conditions for engagement in partnerships, partnership attributes, and the contexts of partnership investigation are discussed. Chapter 3 discusses the methodology of this research. The aim of the chapter is to link the objectives of the research with the appropriate research methods. The starting point is the explanation of the adopted research philosophy and formulation of the research questions. The research design is then discussed, and justification for using a qualitative approach and single case-study as a strategy is provided. The discussion then focuses on the sample design and appropriate methods of data collection. The data is analysed and discussed, with explanation of the use of the computer-aided software NVivo 8. Finally, an evaluation is carried out regarding the validity, generalisability, reliability and objectivity of the research, and consideration is given to ethical issues. Chapter 4 presents the findings and includes several parts:

4.2. The rationale for the presentation of findings is discussed.

4.3. Study 1 provides a description of the context of the shipping industry in China.

4.4. Study 1 provides an initial description of the focal company, with particular attention paid to its customer relationship strategy and managerial perceptions on the possibility of establishing partnerships between their company and its customers. The study is carried out at the Chinese firm and consists of qualitative interviews, secondary data and direct observations. The study helps in understanding the structure of relationships between



terminals, shipping lines and end users, and managerial perceptions of a buyer-seller partnership.

4.5. The implications of Study 1 with respect to Study 2 are discussed.

4.6. Study 2 provides a description and analysis of the investigated relationships in 12 buyer-seller dyads between the terminal and customers. This section brings together the information from different aspects of the case study, and compares the evidence across dyads in order to make general conclusions from the case study. The analysis is guided by the objectives and the framework of the research. Special attention is paid to the differences and similarities in behaviour of the buyers and the seller in the partnerships.

Chapter 5 provides a discussion of the findings on the nature of partnerships, and locates these within the literature on buyer-seller partnerships. The discussion focuses on the ways in which the results of the study extend understanding of buyer-seller partnerships.

Chapter 6 concludes the study by highlighting its contributions to theory and practical implications for managers, as well as addressing the limitations. Finally, based on the conclusions of the study, routes for further investigation are suggested.

## **CHAPTER 2**

### **2. Literature review**

#### **2.1. Introduction**

The main objective of this chapter is to demonstrate the relevance of the research enquiry into buyer-seller partnerships, and its importance for developing the body of knowledge. The first part of the literature review introduces the concept of relationships and acknowledges previous work regarding its development. The discussion is then carried forward to consider the place of partnerships in buyer-seller relationships. Following this, a review of the literature on buyer-seller partnerships is carried out.

Through discussion of these key aspects, the contribution of previous research is analysed, the gaps in the knowledge are identified and the objectives of this research are illuminated.

#### **2.2. The roots of buyer-seller partnerships – relationships**

Marketing has always been concerned with understanding buyer-seller relationships (Veloutsou et al., 2002). Nevertheless, “relationships” as a concept have not always been associated with buyer-seller exchange, and thus “have not been offered any prominent place in general marketing theory” (Gummesson, 1994, p.5). The following sections provide a

background for this research by reviewing the literature on the transition of understanding buyer-seller exchange from a transaction to a relationship point of view. Transaction cost theory (TCT), resource-dependence theory (RDT), social exchange theory (SET) and the resource-based view (RBV) have proven to be helpful in explaining the existence of relationships between buyers and sellers from different angles (e.g. Morgan and Hunt, 1999), and thus are used to assist with this purpose.

### **2.2.1. From transactions to relationships**

Although the term “exchange” covers a wide range of exchanges of values and resources (e.g. Czepiel, 1990), it was initially associated mainly with the economic behaviour of business actors (Lefaix-Durand and Kozak, 2009). Until the mid-70s, buyer-seller exchange was seen as an arm’s length, impersonal, short-term (Arndt, 1979; 1983) *transaction* carried out by the parties with the purpose of extracting benefit (e.g. Luck, 1969, 1974; Kotler and Levy, 1969; Bagozzi, 1974, 1975, 1977, 1978). A buyer was seen purely as a recipient of a good or service (e.g. Webster, 1992), and marketing was thus seen as a unilateral activity of a seller (Sweeney, 1972) carried out through product pricing, promotion and distribution decisions. The identities of buyers and sellers, as well as the context of the transaction, were assumed to be irrelevant to the exchange (Czepiel, 1990). Such transactions were assumed to take place within markets, where the competition ensures the appropriate reflection of a product’s or service’s value in its price (Robicheaux and Coleman, 1994). However, as argued by a number of authors, most notably the developers of Transaction Cost Analysis (TCA), such free-market governance of exchange can only be possible if transactions are cost-free for the

actors (e.g. Williamson, 1979). This, however, is unlikely due to the presence of asset specificity and uncertainty surrounding the exchange, and the bounded rationality and opportunism of economic actors (Robicheaux and Coleman, 1994; Buvik and Reve, 2002).

Bounded rationality implies that firms are unable to create complete contracts due to the limited ability of decision makers to process *all* information, which exposes them to uncertainty (Standifird and Marshall, 2000). According to the proponents of RDT, which shares many assumptions of TCA, uncertainty stems from the fact that organisations depend on the resources contained in the firm's business environment and controlled by other firms, which makes the receipt of those resources unsecured (Buvik and Gronhaug, 2000). From a TCA perspective, uncertainty relates to the firm's inability to predict the circumstances of exchange, and to the difficulty in verifying the other party's "compliance with the established agreements" (Rindfleisch and Heide, 1997, p.31). As a result, firms bear the costs of adapting to the changes in the business environment and the costs of monitoring and performance evaluation. Opportunism means that parties in exchanges are driven by self-interest, and might seek opportunities to fulfil the exchange at the expense of their exchange partner (Williamson, 1985). Opportunism potential is particularly high when a relationship relies on specific assets, which might not be transferable outside a relationship. Complementary to this idea, RDT states that investment in specific assets increases the focal firm's dependence on the other firm, which obtains *power*, and thus affects the focal firm's ability to protect its position and assets (Buvik and Reve, 2002). Thus, as reflected in both TCA and RDT, firms become concerned about their asset safeguarding (Rindfleisch and Heide, 1997; Buvik and Gronhaug, 2000).

The presence of transaction costs of asset safeguarding, performance evaluation and adaptation creates the need for cost-efficient governance structures (Buvik and Reve, 2002), like internalisation of transactions (Williamson, 1975) or “hybrid” arrangements (e.g. Rindfleisch and Heide, 1997), which are known as relational exchanges (e.g. Joshi and Stump, 1999). Both terms imply some sort of long-term buyer-seller relationships (e.g. Krapfel, et al., 1991), or networks<sup>1</sup> of relationships (e.g. Thorelli, 1986; Saxton, 1997), depending on the level of analysis.

#### 2.2.1.1. Theoretical underpinnings of relationships

Since the initial developments of TCA, the concept of relationships has been addressed by various theories and streams of marketing research, mostly in the context of dyadic relationships and, more recently, relationship networks. From a TCA perspective, engaging in relationships or networks (e.g. Palmer, 1996) means that parties adopt some degree of inter-firm coordination through “routinisation of information exchanges and joint planning in ways that extend beyond an arm’s length exchange of information about e.g. product specifications, estimation of costs or production planning” (Buvik and Gronhaug, 2000, p.447). Such inter-firm coordination develops stronger inter-firm ties and better activity alignment than under market transaction governance (Williamson, 1991), and, thus, allows firms to better adapt to the uncertainty of the environment (Rindfleisch and Heide, 1997; Buvik and Gronhaug, 2000). Inter-firm coordination assumes relationship continuity (Joshi and Stump, 1999), during which parties develop commitment, which serves as a mechanism to reduce opportunism in relation to asset-specific investments. Similarly, according to RDT,

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<sup>1</sup> A network refers to “two or more organisations involved in long-term relationships” (Thorelli, 1986, p.37).

establishing inter-firm relationships is one of the strategies to accumulate more links with exchange partners and thus to obtain higher control over uncertainty (Buvik and Gronhaug, 2000), since the fulfilment of firms' goals depends on the resources provided by others.

TCA and RDT have, nevertheless, been criticised for their strict assumptions of opportunism and power as the key drivers of relationships, and for their overconcentration on the economic aspects of exchange. According to SET, not only the need for resources, but also the overall *social network* surrounding firms, leads to the development of relationships (Saxton, 1997). For instance, Granovetter (1985) argues that business actors form decisions within a social context, and that their actions are embedded in a "concrete, on-going system of relationships" (Granovetter, 1985, p.487). In line with SET, the parties *interact* within a social system and enter relationships with the expectation of a positive outcome (Penttinen and Palmer, 2007). Contrary to TCA and RDT, SET, when used in marketing, is focused on firms' social, rather than economic, behaviour and highlights *willingness* to enter relationships and develop *trust*, rather than an obligation to do so due to the potential opportunism of the exchange partner. In addition, complementary to TCA and RDT, which focus on the firm's context, the RBV of the firm offers an internal perspective on relationships. RBV suggests that a firm's competitive advantage depends on the resources it owns (e.g. Wernerfelt, 1995). Thus, as argued by Das and Teng (2000), the accumulation of complementary resources "becomes a strategic necessity" (p.36), which can be achieved through developing relationships.

According to the key theories used in marketing, development of relationships increases trust between parties, reduces transaction costs, grants firms more control over the necessary resources and contributes to firms' competitiveness. Drawing from these theoretical

underpinnings, practitioners and academics in various streams of marketing research have further confirmed the importance of relationships between buyers and sellers (Holmlund and Tornroos, 1997).

#### 2.2.1.2. Research in buyer-seller relationships

Drawing on the theoretical underpinnings discussed above, research carried out by the Industrial Marketing and Purchasing (IMP) group and other researchers has revealed that business markets are complex, and are concentrated on a limited number of buyers and sellers (e.g. Hakansson and Snehota, 1995). Therefore, exchanges between organisations are long-term, continuous and more complex than a discrete transaction (Hakansson and Snehota, 1995). Additionally, customers in business markets were found to be hardly passive (as has been previously assumed under TCA), as they engage in a range of activities which go further than purchasing (Gadde and Snehota, 2000). Finally, IMP came to the conclusion that a transaction could not be presented as a unilateral action of a seller, and rather is an interaction between several business actors, which takes place within the context of a relationship (e.g. Hakansson, 1982; Turnbull et al., 1996), which is embedded in a wider network (e.g. Anderson et al., 1994).

In business-to-consumer services marketing literature, academics have emphasised the intangibility and inseparability of the production and consumption of services (e.g. Zeithaml et al., 1985) and the importance of interpersonal contact (O'Malley and Tynan, 1999). Therefore, they suggest that to retain customers, service organisations need to engage in

repeated transactions and thus foster relationships with their customers (Sheth and Parvatiyar, 2000, 2002; Vargo, 2009). In relation to business-to-business services, scholars emphasise additional characteristics which make the provision of these services more complex. For instance, Tyler et al. (2007) mention “invisibility” and “impalpability” of services, in the sense that services are often difficult for a customer to comprehend, while Jackson and Cooper (1988) argue that, due to higher complexity of organisational needs, business services are generally technological in nature and, at the same time, often need to be customised (Jackson and Cooper, 1988). Overall business service markets have been found to be uncertain, complex and interdependent (e.g. Tyler et al., 2007). Thus, buyers would seek to reduce the uncertainty and providers would seek to come up with an effective strategy through building relationships (e.g. Karantinou and Hogg, 2009). The centrality of relationships in business services has been further emphasised by Vargo and Lusch (2004a), who took the domain a step further and proposed a service-dominant logic. According to this logic, goods and services are inseparable and represent a package for consumers. Consequently, the needs of customers are likely to be broader, and their satisfaction multidimensional, which requires consumers to act not solely as service recipients, but as co-creators of the service, which implies interaction and a value-creating relationship (Vargo, 2009).

The wide adoption of the “relationships” concept in marketing research inspired further enquiries into it and laid the foundation for “relationship marketing” (RM) (Vargo, 2009). While the meaning and conceptualisation of RM remains highly debatable (Palmer, 1994; Ballantyne, 1996; Theron and Terblanche, 2010) and goes beyond the focus of this thesis, it can be generally seen as a stream of research aimed at understanding “close long-term



relationships between various (network) participants involved in exchanging something of value” (Aijo, 1996, p.15). In doing so, current RM attempts to provide a holistic picture of relationships by integrating the economic and behavioural aspects highlighted by the theories discussed above. In the context of business markets, which are of particular interest to this research, the rise of RM is frequently attributed to the increase in collaboration between buyers and sellers (e.g. Fontenot and Wilson, 1997) and, more recently, to the rise of strategic networks (e.g. Hunt et al., 2006).

It can be concluded that, in recent decades, the understanding of exchange in marketing has shifted from transaction, to repeated transaction, and eventually to relationships. Despite differences in terms of theoretical conceptualisations and types of markets addressed, the “general view of relationships [...] is that these develop over time, as a chain of interactions taking place between counterparts, as a sequence of acts and counteracts” (Holmlund and Tornroos, 1997, p.304). Having set this understanding, the next section focuses on business markets.

### **2.2.2. Buyer-seller relationships in business markets**

Business markets are complex and concentrated, with limited numbers of buyers and sellers. This implies that sellers are likely to put efforts in retaining customers, while buyers are not likely to switch suppliers easily when they require a new product or service. In many instances they will work with a supplier they already know and trust (Brennan, 1998). Buyers and sellers are actively involved in interaction, which takes place within the context of

relationships formed by actors' attitudes and experiences over time. Moreover, business customers are rarely the end-users. Therefore, they often seek products or services which should primarily satisfy not *their* needs, but the *needs of the end users* (Brennan, 1998). Consequently, buyers and sellers often have the same goal – satisfying the end user – and, thus, stimuli for interaction. Indeed, building collaborative relationships and developing partnerships between buyers and sellers has become a widespread practice in business markets (e.g. Laing and Lian, 2005; Wong et al., 2010).

Firms, and relationships between firms in business markets, are embedded in networks (Anderson et al., 1994; Achrol and Kotler, 1999; Ritter, 2000; Hakansson and Ford, 2002). A network can be conceptualised as a “set of connected actors that perform different types of business activities in interaction with each other” (Holmlund and Tornroos, 1997, p.304) or “a set of two or more connected business relationships, in which each exchange relation is between firms that are conceptualised as collective actors” (Emerson, 1981, cited in Anderson et al., 1994, p.2). Networks exist on different levels of complexity, with a dyad being a basic unit of network analysis and the industry being the broadest, representing the context for the organisations that comprise it (e.g. Moller and Halinen, 1999). In this research, the main focus is on dyadic buyer-seller relationships. However, these are viewed in the context of a network and, thus, the effects of networks are analysed as well. The insights provided by Anderson et al. (1994) on the constructs of business networks from the perspective of actors in a focal relationship are used to assist with this purpose.

Due to bounded knowledge, firms are incapable of apprehending network connections that extend infinitely, and instead determine the *network context* that they consider to be the most

relevant (Anderson et al., 1994). In this context, firms develop *network identities* (e.g. Hakansson and Johanson, 1988), which are the means by which to reflect the perceived attractiveness of a company as a partner, based on its relations with other companies, its activities and resources (Anderson et al., 1994). For instance, as argued by Hill (1990), companies will be more positive about cooperation with their counterparts if the latter have demonstrated their trustworthiness in other relationships (cited in Holm et al., 1996). Network identities contain a message about firms' competences and goals and, thus, can inform companies about the aspects in which they can be connected. Thus, one can argue that network identity can assist in understanding the motives of firms for the formation of relationships with particular partners, as well as conditions under which relationships are likely to last. Indeed, Anderson et al. (1994) argue that firms engaging in relationships consider two aspects: "anticipated constructive effects on network identity" and "anticipated deleterious effects on network identity" (pp.7-8). According to Anderson et al. (1994), examples of constructive effects are: signalling cooperative intentions of a firm through cooperating with a particular actor in a way that is visible to other actors; development of resources which can be used in other relationships; and carrying out activities, the value from which can be transferred to other relationships. Examples of deleterious effects include building a relationship that is perceived by other actors as harmful for their interests; withdrawing resources from other relationships; and carrying out activities which are detrimental to other relationships. It can be concluded that each buyer-seller relationship affects its network and is also affected by other relationships developed within the network.

To this point, the discussion has touched upon the theoretical underpinnings and the nature of relationships in business markets. The following section addresses the conceptualisation of relationships.

### **2.2.3. The concept of relationships**

Relationships have been addressed from various perspectives. Some authors focus on *reasons* for relationship development; for instance, Sheth and Parvatiyar (1995) connect relationship development with the increased complexity of consumer demand and a resulting need to develop a better understanding between a buyer and a seller. Other authors discuss the process of relationship development, which is usually seen in terms of a series of mutually beneficial exchanges (Bhattacharya and Bolton, 2000) and promise keeping (Gronroos, 1994). Another way of structuring relationships is through analysing their antecedents, contents and consequences (Holmlund and Tornroos, 1997). Thus, relationships have been argued to be long-term and continuous in nature (e.g. Barnes, 1994), and based on mutual dependence (e.g. Holmlund and Tornroos, 1997), trust and commitment (Morgan and Hunt, 1994; Liljander and Roos, 2002).

It can be observed that all streams of research accept that “a relationship is based on the notion that there exist ties that connect actors together” (Holmlund and Tornroos, 1997, p.305). However, conceptualisations and definitions of relationships often vary between researchers (e.g. Damkuvienė and Virvilaite, 2007). At least four possible explanations for this can be observed from the analysis of the literature:

- The concept of relationships is “fuzzy” (Elsharnouby and Parsons, 2010).
- The assumption of relationship ubiquity (Zolkiewski, 2004) does not hold.
- There are two “parallel” ways of utilising the relationship concept.
- The meanings of relationships can differ across contexts (e.g. Palmer, 1997).

It is difficult to find a definition of relationships within a marketing context. Elsharnouby and Parsons (2010) talk about the “fuzziness” of the concept of relationships, which results in “fuzziness” regarding its interpretations by academics and practitioners, depending on their background and research. “In the commercial context, many people use this term loosely, and their meaning varies according to the context, their interests, and goals” (Elsharnouby and Parsons, 2010, p.1368). It can be argued that, in an academic context, definitions and conceptualisations of relationships face just the same problem. It is also often assumed that the concept of relationships can be understood intuitively. However, this does not mean that everyone shares the same understanding of relationships (Zolkiewski, 2004). For instance, Bhattacharya and Bolton (2000) argue that a relationship between a buyer and seller develops when both can benefit from “one or more exchanges” (p.2). Such an opinion, however, slightly contradicts the argument made earlier that relationships are formed through repeated transactions, and thus one exchange cannot constitute a relationship. In addition, a necessary condition for relationship development is seen in the mutuality of buyers’ and sellers’ orientations. For instance, Gronroos (2000) argues that “a relationship has developed when a customer perceives that a mutual way of thinking exists between customer and supplier or service provider” (p.33). However, one can question whether mutuality is always possible, especially if “the decision to initiate what is considered a customer relationship is usually one-

sided in that the company decides unilaterally to build a relationship with its customers” (Barnes, 1994, p.566). Moreover, as noted by Zolkiewski (2004), even if mutual orientation exists, there is an open question as to whether both parties in fact believe that they are in a relationship. Further on, Palmer (1997) questions the possibility of applying “relationships” universally, as the meaning of the term might vary across different contexts. Indeed, what is considered as “relationships” in one context might not be considered as such in another (e.g. Anderson and Narus, 1991).

Variations between different conceptualisations of relationships are further apparent when authors begin talking not about “relationships”, but rather about “true relationships” (e.g. Barnes, 1994; Liljander and Roos, 2002) or “meaningful relationships” (e.g. Fournier, 1998), as well as relationship “levels” (e.g. Johnson and Selnes, 2004) and “types” (e.g. Laing and Lian, 2005; Wong et al., 2010). Therefore, there are at least two broad ways in which relationships are currently seen in marketing research. One is *in general*, and the other is as *a continuum*, which can contain various relationship forms that somehow differ from each other. However, again, it seems that these two observed tendencies co-exist in parallel, which leaves the conceptualisation and definition of relationships subject to independent study.

The discussion above highlights the complexity of the concept of relationships, which explains why it is difficult to develop a universal definition which could be widely accepted across marketing research. Instead, it is more realistic to conceptualise relationships in the light of a particular investigation. Table 2.1. provides several examples of existing definitions

which vary from general (e.g. Cannon and Perreault, 1999) to more precise (e.g. Vargo, 2009), depending on the author's understanding and the needs of the research<sup>2</sup>.

**Table 2.1. Relationship definitions in marketing research**

<b>Relationship definition</b>	<b>Author, year</b>
Relationships are “the manner in which the two parties interrelate and conduct commercial exchange”.	Cannon and Pereault, 1999 (p.441).
Relationships are “a mechanism for creating value through the coordination of production, consumption, and related economic activities between a customer and a supplier”.	Johnson and Selnes, 2004 (p.2).
“A relationship is a mutually oriented interaction between two reciprocally committed parties”.	Hakansson and Snehota, 1995 (p.25).
A relationship is “an interdependent process of continuous interaction and exchange between at least two actors in [a] business network context”.	Holmlund and Tornroos, 1997 (p.305).
“Relationships are organized patterns of interaction and interdependence with their own structures” that are “elements of a wider economic organization that takes a network form”.	Vargo 2009 (p. 377) on the basis of Hakansson and Snehota, 2000 (p.75).

While there is no unique understanding of relationships, it is possible to “select” an interpretation of the term based on the previous knowledge and according to the needs of the research. In terms of approach, this research adopts the view of relationships as a continuum of different types. Indeed, the existence of relationships between business actors, as opposed to discrete transactions, is often compared to a “marriage”, vis-à-vis an “affair” (e.g. Dwyer et al., 1987; Holmlund and Tornroos, 1997). However, just like marriages, business

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<sup>2</sup> For instance, where a network approach is adopted, this is reflected in the definition of relationships.

relationships are likely to differ in a variety of respects. Thus, it seems reasonable to assume the existence of multiple types of business relationships. As stated earlier, this research investigates a particular relationship type – buyer-seller partnerships. The context of the research is represented by the shipping industry, which falls under the category of business markets. The latest definition of relationships in relation to a business-to-business context has been provided by Vargo (2009) on the basis of work by Hakansson and Snehota (2000) (see Table 2.1). Thus, it is this definition of relationships that is adopted in this work, as it is considered to reflect the latest advancements of research on relationships, as well as to suit the needs of this research.

#### **2.2.4. Research implications**

The discussion above demonstrates that the views on buying and selling processes have changed from short- to long-term, and from one-sided to two-sided, and that they have further shifted to incorporate a network perspective. In addition, the logic of buying and selling has evolved from goods-dominant to service-dominant. These shifts confirm the appropriateness and necessity of recognising that in business markets exchange is interactive and relationships are a fundamental feature of buying and selling. Therefore, one of the main tasks of this thesis is to address the perspectives of *both* buyer and seller, while investigating buyer-seller partnerships as a dyad embedded in a network.



Having addressed relationships in business markets generally, the next step is to discuss a particular type of interactive relationship – the buyer-seller partnership – along with its place in relationships and its attributes.

## **2.3. The place of partnerships in buyer-seller relationships**

### **2.3.1. Buyer-seller relationship typologies**

The previous section has demonstrated that, although based on different assumptions, the key theories converge in the idea that development and management of relationships between buyers and sellers in business markets is a crucial strategic task (Ritter et al., 2004) through which firms aim to achieve greater competitiveness. The structure and nature of buyer-seller relationships determines firms' strategic positions (Penttinen and Palmer, 2007) and thus, their survival on the market (e.g. Crook and Combs, 2007). However, relationships are not homogeneous in nature and are unlikely to follow identical paths of development (e.g. Laing and Lian, 2005). As mentioned earlier, this research adopts the conceptualisation of relationships as “organised patterns of interaction” (Vargo, 2009, p.377). This means that these patterns of interaction differ in terms of characteristics and actors' behaviour. For example, as argued earlier in the chapter, TCT views firms' engagement in relationships as adopting some degree of inter-firm coordination (e.g. Buvik and Gronhaug, 2000). However, this does not mean that the degrees and means of coordination are the same in all cases. Indeed, “the term ‘relationships’ can mean a variety of things [...] from coercive supply relationships to strategic alliance” (Donaldson and O'Toole, 2000, p.491). Thus, the variety

inherent in the nature of relationships is becoming more and more acknowledged in academic research.

For instance, combining the ideas of TCT and RDT with the relational approach, Buvik and Reve (2002) discuss different possibilities for contractual and informal bilateral governance. The authors link the possibility of formal or contractual relationships with the levels of power possessed by the parties and the actors' desire to safeguard their investments in specific assets. Therefore, if one party, for example the seller, wishes to protect its specific assets, and providing it possesses substantial power over buyer, it will pursue contractual safeguarding of its assets. If, however, a seller does not possess high power over the buyer, contractual arrangement, according to Buvik and Reve (2002) becomes questionable. The authors do not provide a clear suggestion of appropriate governance in such a situation, but one could argue that the seller, being the more dependent party, would be eager to pursue alternative, less formal arrangements to safeguard its assets, like being more receptive to the requests suggested by the buyer (Anderson and Narus, 1990). The tendency for informal relationship governance, according to Buvik and Reve (2002) is even stronger when there is a high level of trust between the actors, since it protects them from potential opportunism.

Apart from such a division into formal and informal relationships, marketing literature has suggested continuums of buyer-seller relationships varying from short-term transactional to long-term relational (e.g. Jackson, 1985; Ring and Van de Ven, 1992, 1994; Lamming 1993; Cannon and Perreault, 1999; Day 2000; Penttinen and Palmer, 2007). Alternatively, wider typologies can be used (e.g. Young and Wilkinson, 1997; Bensaou, 1999) as, even when adopting the relational approach, firms are unlikely to build identical relationships. The

development of these continuums and typologies can be linked with several ideas. Firstly, as argued earlier, firms are limited in their resources and, thus, are unable to allocate them equally to all of their relationships (e.g. Day, 2000). This means that particular strategic choices are made, leading to a variety of possible relationships for a firm. Secondly, a number of authors argue that all buyers or sellers of a focal company would not desire the same relationships (e.g. Laing and Lian, 2005). Finally, relationships are not determined only by buyer-seller interaction, but are also the products of “organisational and market circumstances” (Laing and Lian, 2005, p.115), as well as the surrounding network. Thus, it is apparent that relationships between buyers and sellers differ.

Differences between relationship types have been addressed from a number of perspectives in light of the various theories discussed earlier. Using TCT and RDT, Krapfel et al. (1991) suggested a number of relationship types that vary in terms of relationship value and parties’ interest commonalities, and are administered through different management modes, which are selected so as to minimise transaction costs. Indeed, as argued by Ouchi (1980), transaction costs are also present in cooperative relationships, as parties struggle to simultaneously manage environmental uncertainty, cooperate, and preserve their own interests. Similarly, using the TCT concept of specific asset investments, Bensaou (1999) suggests a 2x2 matrix of buyer-seller relationships that vary in terms of the levels of specific investments undertaken by each party. Other authors address differences between relationship types in terms of forms of collaboration (Day, 2000), mechanisms for value creation (Johnson and Selnes, 2004), parties’ perceived power over each other (Buvik and Reve, 2002; Ritter et al., 2004) and the structure of the relationship atmosphere (Wong et al., 2010).

### 2.3.2. Difficulties in differentiating partnerships from other buyer-seller relationships

Typologies, developed conceptually and empirically, usually contain a type of relationship entitled *partnership* (e.g. Rinehart et al., 2004), or a type described as being associated with *partnership philosophy* (e.g. Cannon and Perreault, 1999) or *partnership behaviour* (e.g. Wong et al., 2010). In the majority of the typologies, such buyer-seller relationships are generally viewed as “close” and “collaborative”. In the typology proposed by Fontenot and Wilson (1997) partnerships are characterised by mutual benefits and high levels of trust between firms. In addition, the authors clearly differentiate partnerships from long-term relationships by arguing that partnerships are governed more by negotiations than by the market. In Cannon and Perreault’s (1999) typology, relationships with a “partnering philosophy” involve frequent information exchange and high levels of collaboration and trust. In Bensaou’s (1999) matrix, partnerships are also associated with high levels of specific investments undertaken by both buyers and sellers. Nevertheless, while these conceptualisations of partnerships can be considered complementary, there are aspects on which different typologies provide controversial insights. For example, according to Rinehart et al.’s (2004) study, partnerships are created over a wide range of transactions, while according to the previous findings of Fontenot and Wilson (1997), buyers and sellers in partnerships are interdependent within a particular narrow area of activities. Rinehart et al. (2004) and Laing and Lian (2005) argue that partnerships show only a medium level of interdependence, while in a typology proposed by Wong et al. (2010), partnership behaviour is characterised by high interdependence. Moreover, while the two earlier studies mention personal relationships as an important attribute of partnerships, Rinehart et al. (2004) provide mixed evidence on whether partnerships are governed formally or informally, and Wong et al. (2010) do not explicitly include personal relationships in their attribute list. Finally, there is a

different degree of precision in the way the three studies present cooperative behaviour in partnerships. While Rinehart et al. (2004) and Wong et al. (2010) simply state that there are high levels of cooperation and investment in partnerships, only Laing and Lian (2005) provide a deeper description of actors' behaviour, attributing to it co-production of service, and staff co-involvement in service provision. According to the authors, not only do organisations engage in higher levels of collaboration, but the service itself is the joint result of two partnering organisations. The service co-production is continuous and on-going, with a lot of relationship-specific investment – something which is not central to the partnership descriptions in the manufacturing industries. Staff co-involvement leads to partnering organisations working like one organisation in the area of service provision. According to the authors, such a partnership can be broken only if serious service failure occurs or if a significant “loss of relationship value” (p.122) takes place.

As the discussion above demonstrates, partnerships are presented differently across the studies, leading to the absence of a *clear* understanding of their nature and distinctive features. It can be argued on the basis of the literature reviewed that the approaches to research in relationship types are partially responsible for this.

On the one hand, differentiation between relationship types is often done purely conceptually, without empirical research, which is arguably crucial for moving the theory forward. However, when empirical research is carried out it is not a straightforward task, as practitioners often struggle to clearly differentiate between partnerships and other close relationship types. For instance, from the research by Rinehart et al. (2004) it is not clear how partnerships differ from alliances. While partnerships and alliances were specified as different

types, there was quite a bit of disagreement among respondents as to *why* they differ. Indeed, it is hard to differentiate between the two, as no clear definitions of partnerships or alliances exist (e.g. Lemke et al., 2003). Lemke et al. (2003) proposed that an alliance can be anything from an “informal coalition to a highly sophisticated network of formal business partners” (p.13), while “partnership” is a narrower term which applies to buyer-supplier relationships in a supply chain. In the absence of a more precise explanation, this study follows Lemke et al.’s (2003) approach to differentiate between these two types. This example demonstrates that it can be quite difficult for practitioners to formulate clear ideas on partnerships, although these are understood intuitively. On the other hand, in both empirical and conceptual studies authors tend to analyse relationship structures on the basis of a particular underlying theory, model or explanatory paradigm (Donaldson and O’Toole, 2000). For instance, Fontenot and Wilson (1997) mostly consider the attributes associated with relationship marketing, while Shapiro et al. (1987) and Bensaou (1999) identify relationship types only on the basis of TCE concepts. As a result, there is no consistency in the choice of attributes to distinguish partnerships from other relationships. One could argue that although the results of studies which use various attributes and dimensions for differentiation between relationship types can be considered as complementary, they remain disjointed, as little attempt is made to integrate them in a common framework. Moreover, since the same relationship attributes are used under various theoretical approaches (e.g. trust, dependence, personal relationships), but are not always conceptualised and interpreted similarly, the research is producing “competing” views on partnerships, rather than a holistic and comprehensive explanation. Hardly any studies embrace multiple aspects of partnerships. In addition, distinctive features of partnerships in relationship typologies are usually searched for within attributes or characteristics of partnership functioning, without considering the antecedents of their

initiation. Although some authors recognise that various environmental and situational drivers, as well as varying firms' motives, lead to the formation of different relationship types (e.g. Cannon and Perreault, 1999), these issues have barely been addressed. For instance, when analysing actors' engagement in relationships, authors emphasise various motives which are sometimes applied to relationships *in general*, and sometimes applied to *partnerships*. Therefore, it is not clear whether what is true for relationships is always true for partnerships, nor whether there are any motives that are specific to partnerships. Finally, with very few exceptions (e.g. Laing and Lian, 2005) studies of partnerships rarely explicitly take the context of the research into consideration. However, it could arguably help to clarify differences between various conceptualisations, and thus clarify the overall understanding of buyer-seller partnerships.

### **2.3.3. Implications for research**

As follows from the discussion above, the distinctive features of buyer-seller partnerships are only partially understood. While this issue can be solved only through continuous research, some suggestions can be made with regards to the manner in which this research can be conducted to contribute to the body of knowledge. Firstly, an understanding of partnership distinctions from other relationship types should arguably start with an extensive enquiry into the nature of buyer-seller partnerships. Thus, this research focuses on understanding partnerships, and in doing so addresses issues related to their initiation and functioning. Secondly, some authors have started to realise that, rather than focusing on the key concepts suggested by a particular theory, various relationship attributes should be considered

simultaneously, as they tend to co-exist (e.g. Cannon and Perreault, 1999; Donaldson and O'Toole, 2000). Thus, as partnership is clearly a multidimensional concept, it might be helpful to draw on multiple theories, integrating their different approaches and concepts with empirical observations in order to obtain a holistic picture of a buyer-seller partnership. However, in doing so it is important to emphasise that although such an approach might help to link different pieces of partnership research into a whole picture, it would be unrealistic to assume that buyer-seller partnerships can be presented as an ideal type, which is immutable across various contexts. Environmental and situational factors are equally responsible for the formation and functioning of different relationships, as are actors' behaviours. Thus, this partnership research will inevitably carry particular contextual specificities which might not be found in other contexts. Finally, since practitioners experience difficulties in operationalising the concept of partnerships, a theory-based framework can be developed to assist with empirical research in the area of buyer-seller partnerships.

## **2.4. Partnerships**

The previous sections identified a partnership as a specific type of relationship, which has been frequently studied in inter-firm relations literature, and revealed a number of inconsistencies in partnership understanding. The key aspects of partnerships recognised among different authors, but requiring a deeper investigation, relate to partnership initiation and functioning. These issues are addressed below, after the initial sections introduce the concept of partnership in contemporary research.



#### **2.4.1. The concept of partnership in academic research**

The concept of partnership is rooted in non-marketing disciplines, such as law, sociology and human resource management. Therefore, looking at partnerships in general, before focusing on buyer-seller partnerships specifically, is considered to be useful for building an initial understanding of the concept. Partnerships have long been discussed in economic and, particularly, employment literature. A partnership between an employer and an employee “has become the defining feature of the ‘new’ industrial relations for the Millennium” (Martinez-Lucio and Stuart, 2004, p.410), while the idea of partnerships between employers and other stakeholders (e.g. labour unions and employees) has started to become widely discussed in British academic literature (Johnstone et al., 2009). The key idea of partnership, according to Johnstone et al. (2009), is that it can be effective and at the same time ethical for employers to cooperate with employees and unions on strategic issues. Therefore, the key features of a partnership are joint decision-making, and mutuality of goals and benefits (Johnstone et al., 2009). However, while the goals of partnership seem comprehensive, its meaning and definition are highly debatable topics. Indeed, Guest and Peccei (2001) argue that partnerships have become “an idea with which almost anyone can agree, without having any clear idea what they are agreeing about” (p.207).

In evaluating partnerships in research, Engebretson and Wardell (1997) have stated that “dialogue is the basis for the interaction between the partners” (p.39), and that collaboration between academics is essential when researching a complex issue. Therefore, partnership is defined as “a relationship resembling a legal partnership and usually involving close cooperation between parties having specified joint rights and responsibilities as in common enterprise” (Webster, 1970, cited in Engebretson and Wardell, 1997, p.38).

Finally, addressing inter-organisational partnerships in general, Brinkerhoff (2002) proposed that partnerships are a higher level of interaction and represent the “most appropriate type of relationships” (p.216) for achieving efficiency. In her research, a partnership is viewed as “a dynamic relationship among diverse actors, based on mutually agreed objectives, pursued through a shared understanding of the most rational division of labour based on the respective comparative advantages of each partner” (Brinkerhoff, 2002, p.216).

The discussion above shows that the concept of partnership has attracted the attention of researchers from various disciplines, and that while each field has its own specificities, all the definitions provided above point out the importance of recognising sharing principles and the necessity of interaction between parties in a partnership. Having provided a general view of a partnership, the discussion continues to the conceptualisation of a buyer-seller partnership in marketing.

#### **2.4.2. Buyer-seller partnership research**

The importance of establishing partnerships between buyers and suppliers in business markets has been recognised in various studies (Mohr and Spekman, 1994; Gardner et al., 1994; Landeros, et al., 1995; Ellram and Hendrick, 1995; Gentry, 1996; Lambert et al., 1996, 1999, 2004; Campbell, 1997; Tuten and Urban, 2001; Duffy, 2008). In particular, developing partnerships has been identified as a contemporary trend (Graham et al., 1994) in manufacturing (e.g. Lemke et al., 2003) and logistics industries (e.g. Tate, 1996). Partnerships are generally seen as “close” relationships based on trust and the idea of collaboration,

established with the purpose of improving companies' competitive positions in the supply chain (Kendall, 2000; Duffy, 2008). Partnerships refer to hybrid or relational governance forms and are assumed to create superior benefits for the buyers and sellers engaged in them. However, as has been demonstrated above, conceptualising partnerships is not an easy task (e.g. Lemke et al., 2003).

#### 2.4.2.1. Partnership definitions

Definitions of partnerships are frequently criticised for being unclear, “abstract” and non-empirically based (Lemke et al., 2003). Authors often define partnerships similarly to strategic alliances (Ellram and Hendrick, 1995). Strategic alliances can take one of four forms: formal cooperative venture, joint venture, joint ownership and strategic investment in a partner (ul-Haq, 2005). Partnerships between buyers and suppliers, however, are more about the overall nature of the relationships between the two companies and the perception of these relationships by both sides. Partnerships between buyers and sellers might not be documented or announced, and may or may not include investment in a partner. Ultimately, even though these aspects might be present in a partnership, it is not the issue of ownership or investment that actually defines a partnership between buyers and sellers, as many more relational attributes are likely to play a part. A partnership between buyers and sellers, therefore, needs to be treated as a separate type of relationship between buyers and sellers and, therefore, defined as an independent concept.

As has been mentioned in the preceding sections, conceptualisations and definitions provided across the studies show only limited agreement on key attributes that are supposed to reflect the nature of partnerships. The lack of agreement can be linked to the absence of attempts to develop a multidimensional approach to partnership research (e.g. Donaldson and O'Toole, 2000). This is one of the sources of the vagueness of partnership definitions referred to by so many scholars. Each researcher tries to base a definition of partnership on the results of a particular study, where selected attributes are often included a priori.

Finally, partnership is often treated as a self-explanatory term (Duffy, 2008). It is assumed that, by definition, it is clear what partnership means. Moreover, Lemke (2003) argues that the term has become a “buzzword” that is fashionable to use. This is supported by Brennan, who argues that “fashionable managerial expressions are prone to over-use, abuse and consequently, to devaluation” and that “the same fate awaits, or maybe [has] already [...] befallen buyer/supplier partnership” (1997, p.768-769). Indeed, the difficulties which practitioners face when asked to explain the meaning of a partnership (e.g. Rinehart et al., 2004) show that although the concept can be intuitively understood, its interpretation is not a straightforward task.

Nevertheless, in a number of studies authors do not provide any definition at all (Lemke, et al., 2003), or at the most appear to provide only very abstract definitions. For example, Ellram and Hendrick (1995) argued that “partnership is, by definition, a meeting of minds” between two parties (p.42) and Gadde and Snehota (2000) state that partnerships are close relationships between buyers and suppliers and that partnering is a means of making the most of relationships. Bantham et al. (2003) researched partnerships from the perspective of

interdependence and dialectical theories, outlining the organisational framework for partnerships. However, no definition of what they understand by partnership is provided. Similarly, Campbell (1997) researched the roles of buyers and sellers in a partnership; however, again, no definition of partnership is provided. Consequently, there is a need for a more comprehensive definition of partnership.

However, while there is increasing criticism of the absence of a “consistent definition of partnership based on empirical evidence” and “no commonly accepted theoretically derived definition” (Lemke, et al., 2003, p.16), it can be argued that it is hardly realistic to develop an “ideal” definition. Indeed, authors have begun to realise that there is no unique and perfect partnership for different situations and contexts (Makukha and Gray, 2004; Ellram and Cooper, 1990). Therefore, it might be more rational to take into account the contexts of partnerships when researching and defining them, and try to understand the nature of partnerships *within* a particular context. This could contribute to the clarification of the concept.

Nevertheless, any research in buyer-seller partnerships should arguably start with a general understanding and a general definition of partnerships developed on the basis of existing research. Therefore, the next section develops such a definition to provide the initial guidance for this investigation.

#### 2.4.2.2. Defining a buyer-seller partnership

Definitions of buyer-seller partnerships are usually formulated around selected attributes assumed to be the most important for reflecting the nature of partnerships. Although a number of researchers have attempted to give a precise definition, no unique, widely accepted definition of partnerships currently exists. Table 2.2 provides examples of partnership definitions found in the existing literature.

**Table 2.2. Partnership definitions**

<b>Authors</b>	<b>Partnership is:</b>
<i>Partnership in general</i>	
Webster (1970), cited in Engebretson and Wardell (1997)	“...a relationship resembling a legal partnership and usually involving close cooperation between parties having specified joint rights and responsibilities as in common enterprise” (p.38).
Farrell and Scotchmer (1988)	“...a coalition that divides its output equally” (p.279).
Brinkerhoff (2002)	“...a dynamic relationship among diverse actors, based on mutually agreed objectives, pursued through a shared understanding of the most rational” (p.216).
<i>Buyer-seller partnership</i>	
Anderson and Narus (1990)	“...[the] extent to which there is mutual recognition and understanding that the success of each firm depends in part on the other firm, with each firm consequently taking actions so as to provide a coordinated effort focused on jointly satisfying the requirements of the customer marketplace”(p.42).
Ellram and Hendrick (1995)	“...[an] on-going relationship between two firms that involves a commitment over an extended time period, and a mutual sharing of information and the risks and rewards of the relationships”( p.41).  “...by definition, a meeting of minds [between two parties]” (p.42).

Fram and Presberg (1993)	“...long-term agreements that reduce conflict and promote mutually beneficial ties between two firms” (p.44).
Stuart (1993)	“...strong inter-company dependency relationships with long-term planning horizons” (p.23).
Mohr and Spekman (1994)	“...purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefit, and acknowledge a high level of mutual interdependence” (p135).
Lambert et al., (2004)	“...a tailored business relationship base on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by the two firms working together in the absence of partnership” (p. 22)
Ploetner and Ehret (2006)	“...a specific type of relationship between a customer and his supplier, based on mutual dependency and trust, where both parties are committed to collaboration beyond a sequence of buying-selling transactions” (p.4).

As demonstrated in Table 2.2, the majority of definitions emphasise long-term duration, commitment, dependency or interdependency, sharing principles, collaboration and mutuality of objectives and benefits (these common attributes are underlined in Table 2.2). Thus, one could argue that these attributes form the basis for partnership understanding, although the meaning of partnership is likely to vary depending on context. Therefore, if the goal is to provide a better understanding and a clearer definition of buyer-seller partnerships, these key attributes should be taken into account.

Partnerships have been largely seen as long-lasting relationships in both empirical and theoretical research. However, one could argue that longevity is recognised as an attribute of many types of buyer-seller relationships which are not partnerships. Indeed, Lemke et al. (2003, p.16) argue that, it cannot be assumed that a buyer and a seller “in a long-term relationship see themselves in partnership”. This idea implies that, as a time dimension,

longevity is unlikely to be enough to reflect the nature of partnerships. Indeed, as argued by Izquierdo and Cillan (2004), the principal feature of close relationships is not duration, but rather “its anticipated prolongation to future periods” (p.976). As part of the investigation into the nature of buyer-seller partnerships, these issues are addressed in the empirical part of this research.

The inclusion of commitment into a definition of partnerships is also widely supported by various studies. For instance, in studies of relationship typologies, partnerships and “close relationships” are characterised by high levels of commitment. Surprisingly, trust appears explicitly in only two of the definitions presented above. However, it has been recognised as key in distinguishing relationships, and partnerships have been found to be associated with high levels of trust (e.g. Laing and Lian, 2005). Therefore, the non-inclusion of trust into the definition of partnership seems to be an omission.

It can be noted that later definitions increasingly recognise behavioural elements of partnerships, as well as strategic and economic aspects. Mohr and Spekman (1994) have suggested that these behavioural elements distinguish partnerships from traditional transaction-based relationships. One of the most recent definitions of partnerships is provided by Ploetner and Ehret (2006), who see partnerships as new forms of collaboration that are more flexible than contractually-based forms like vertical integration, and exhibit higher levels of commitment than “ordinary buyer-seller relationships” (p.4). In addition, both Ploetner and Ehret (2006) and Spekman, et al. (1998) recognise shared vision of future as a key behavioural element of partnerships.



Finally, as has been highlighted earlier, no relationship can be treated independently from its network. Indeed, in business markets buyer-seller partnerships represent parts of the supply chain (Gentry, 1996) and affect its competitiveness (Corbett et al., 1999). Therefore, buyer-seller partnerships should be placed in the context of the surrounding network and defined correspondingly.

On the basis of the discussion above, an initial definition is derived in order to provide a starting point for the research.

*Partnerships between a buyer and seller are close (Webster, 1970), collaborative (Anderson and Narus, 1991) relationships based on long-term commitment, trust, interdependence (Mohr and Spekman 1994; Ploetner and Ehret, 2006), shared goals, and understanding (Brinkerhoff, 2002) of each other's needs and strategies<sup>3</sup>, which are parts of "wider economic organization that takes a network form" (Vargo 2009, p.377; Hakansson and Snehota, 2000, p.75).*

It can be argued that a definition of partnerships can be further strengthened through the extensive empirical research into the nature of partnerships. As noted by many scholars, there is currently a lack of such research in this area. Nevertheless, it is important to acknowledge the work which has already been done in this direction and, as argued in the early sections of this chapter, to integrate it for further advancement in partnership research. In doing so, it is

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<sup>3</sup> Following this definition, it is further assumed that in literature published prior to 2000, partnerships (as understood today) were referred to as "collaborative relationships". This is evident both from this literature, as the concepts are used interchangeably, and from later works, where distinctions are made between cooperation and collaboration, with the latter being associated with partnerships.

necessary to consider the motives and conditions for engagement in partnerships, as well as the possible contextual effects on partnership initiation, and key attributes of partnership.

#### **2.4.3. Partnership initiation: Motives and conditions for engagement in partnerships**

According to TCT, partnerships represent a type of relationship, and are developed in order to reduce transaction costs. In contrast to arms-length exchanges, in relationships parties adopt some degree of continuous coordination. Partnerships are argued to be a type of relationship wherein the level of coordination is particularly high, involving complex information exchanges (e.g. Cannon and Perreault, 1999) and higher trust levels than in other relationship types (e.g. Fontenot and Wilson, 1997). With regards to partnership continuity, although some scholars argue that partnerships can be short-term, long-term or with “no end date” (Lambert et al., 1996, p.3), the majority tends to see only Lambert et al.’s (1996) “no end date” as a partnership. For example, Ploetner and Ehret (2006) argue that in partnerships, in contrast to “ordinary buyer-seller relationships mutual commitment is not confined on a clear defined series of transactions but on the development and cultivation of future business opportunities and emerging markets” (p. 4). Clearly, partnership represents a relationship in which significant efforts are put in by both parties. However, the question arises of what the rationale is for firms to engage in such a close relationship.

Although there is a lack of empirical research, general studies of buyer-seller partnerships have revealed cost savings and reductions in duplications of efforts for partners as key motives for engagement (Makukha and Gray, 2004). At the same time, Lemke et al. (2003),

argue that industrial partnerships are about emphasising close relationships, rather than simply aiming for cost reduction. In addition, research in manufacturing partnerships stress technological motives stemming from the need to invest in technology development, and the risks associated with this. Partnerships can help to share risks and encourage knowledge transfer between partnering firms, which makes technology development less risky and costly (Dodgson, 1992). Studies focusing on one side of partnerships identify motives that are unique to each party. For suppliers, key motives were found to be securing market share (Ellram, 1995; Brennan, 1997), getting access to buyers' information, increasing prestige (Tuten and Urban, 2001), reducing the costs of administrative activities and providing stability in unstable markets (Lambert et al., 2004). Buyers' motives are mainly better price deals, technological cooperation, and better understanding of their business from the supplier's viewpoint (e.g. Tuten and Urban, 2001). Motives outlined in empirical studies can be explained from various theoretical perspectives.

#### 2.4.3.1. Transaction cost perspective

Current research states that under partnerships, transaction costs are minimised (Chen and Wu, 2010) and the dependence on the other party, as emphasised by resource-dependence theory, is better managed (e.g. Cannon and Perreault, 1999). Indeed, environmental uncertainty and investments in specific assets make firms dependent on each other in the realisation of their goals. These circumstances, according to Izquierdo and Cillan (2004), make firms look for greater *stability* and *efficiency* of exchanges, and reductions in dependence *asymmetry*. As argued in the section 2.2.1, the development of closer ties between

companies helps to achieve these objectives by decreasing the costs of adaptation to uncertain environments, and evaluation of the extent of the obligation fulfilment by the partner (e.g. Buvik and Gronhaug, 2000). While TCA provides no specific explanation for firms' engagement in partnerships as opposed to other forms of relationships, one could argue that partnerships – the closest relationships – are created when less close relationships are not enough to reduce uncertainty-related transaction costs, and thus to obtain greater stability and efficiency. This, however, is likely to be the case in complex environments, where exchanges are highly influenced by various *contextual* conditions. According to Cannon and Perreault (1999), uncertainty and dependence for buying organisations can come from *internal situational factors*, which are related to specific selling and purchasing situations, or from *external characteristics of the market*. The key situational factors for buyers outlined by Cannon and Perreault (1999) are complexity of supply, and the importance of supply for the customer. The importance of supply is explained as the degree to which a particular supply affects the buyer's firm objectives, as some supplies can be more crucial than others. The key external factors outlined by the authors are supply market dynamism and availability of alternatives. Supply market dynamism is affected by factors such as changing technology and price, and fluctuations in product availability. Therefore, buyers tend to enter relationships in order to manage these changes more efficiently (Cannon and Perreault, 1999). Lack of supply alternatives means that information about prices and quality is not easily accessible, which contributes to buyers' uncertainty and dependence. One could argue that when market and situational conditions are particularly complex, actors are highly motivated to engage in partnerships. Thus, some motivations for engagement in partnerships are likely to be externally based. However, following this logic, while “externally rooted” transaction costs can be offset, partnerships are still exposed to “internally rooted” ones, like monitoring

partners' actions. Ties are developed in partnerships through high investments in specific assets, which still expose them to potential opportunism from the partner. As potential opportunism can never totally disappear, high levels of trust should be developed to decrease it (Ploetner and Ehret, 2006). Arguably, high trust levels cannot be developed with any counter party. Thus, there should be some particular conditions under which such trust development and, thus partnership development, is possible.

While transaction cost theory contributes to the understanding of actors' motives for engagement in partnerships, it arguably provides only part of the explanation. Indeed, it largely focuses on the economics of partnerships and externally-rooted motives, without considering strategic and social aspects of firms' interactions and the motives stemming from them.

#### 2.4.3.2. Resource-based perspective

Strategic motives of buyer-seller partnerships are often addressed through resource-based theories which see partnerships as ways for actors to obtain the necessary resources and improve their competitive positions (Chen and Wu, 2010). Related to this, partnerships are seen by competency-based theories (Ploetner and Ehret, 2006) as ways to develop specific competencies. For example, Ploetner and Ehret (2006) argue that "one aspect ignored by transaction cost theory is that specific investments are not only a drawback, but are basically made in order to differentiate the company's offerings" (p.6). According to the authors, specific investments made by partners allow them to differentiate their *joint* output, and result

in superior customer value and surplus profits for the supplier. Within the RBV of the organization (e.g. Wernerfelt, 1984, 1995), or RDT (e.g. Pfeffer and Salancik, 1978), firms are assumed to engage in close cooperation because they *have to* (e.g. Donaldson and O'Toole, 2000). Thus, while resource-based theories do not explicitly highlight the motives and conditions for choosing partnerships over other forms of relationships, one could argue that partnerships can be chosen over other relationships when there is a *need* (Eisenhardt and Schoonhoven, 1996), which cannot be realised otherwise. For instance, it could be possible for a firm to engage in a partnership which could provide it with a very scarce or irreplaceable resource, which is impossible or too complicated to obtain otherwise under particular contextual conditions, or, in line with RDT, which could increase its market power. Following this logic, if companies' engagement in partnerships is motivated by need, they should be in rather difficult competitive situations. While there is little explicit discussion of buyer-seller partnerships from this perspective, in the discussion of the formation of alliances in general Eisenhardt and Schoonhoven (1996) argue that companies involve themselves in alliances when they are in vulnerable strategic positions stemming from difficult market situations and adoption of risky strategies. Thus, the key motives here are likely to be risk reduction and improvement of a competitive position. The key conditions for partnering under such situations are likely to be mutual need (Eisenhardt and Schoonhoven, 1996) and "strategic fit", defined as "the overlap of partners' interests in a certain area, while pursuing mutual goals" (Il et al., 2009, p.500). Some authors also outline the importance of "operational compatibility", which refers to matches in corporate cultures and business philosophies, and complementarities of goals (e.g. Il et al., 2009). Indeed, in the absence of strategic fit and operational compatibility, a partnership, which implies very close relationships, seems hardly possible. One could argue that since partnerships are formed within a context of a network,

information about strategic and operational compatibility of potential partners is partially reflected in their network identities. As argued in section 2.2.2, network identity contains a message about firms' competencies and goals, and thus can inform companies about the aspects in which they can be connected. At the same time, the network identity of a potential partner can help a company to analyse the likely effects of a partnership on its own network identity (Anderson et al., 1994). Thus, arguably, companies will engage in partnerships where "anticipated effects on network identity" are constructive rather than deleterious (Anderson et al., 1994, pp.7-8). Nevertheless, these issues have hardly been addressed in buyer-seller partnership research.

#### 2.4.3.3. Relational perspective

According to the relational view, companies' competitive advantages depend on the network of relationships in which they are embedded (Zacharia et al., 2009; Dyer and Singh, 1998). Thus, on order to enhance competitive advantage, firms invest in relation-specific assets and develop "sharing routines" through means of close collaboration (Zacharia et al., 2009, p.103). In addition, as mentioned in section 2.2.1.2, firms often build relationships willingly, rather than reluctantly (e.g. Morgan and Hunt, 1999). Thus, apart from the *need* to engage in partnerships, the literature has emphasised *willingness* to do so (e.g. Bendapudi and Berry, 1997). Such a position is associated with relational (e.g. Dwyer, Schur and Oh, 1987) or social (e.g. Granovetter, 1985) perspectives. The proponents of these perspectives state that exchanges take place within social contexts where opportunism, central to TCT-based explanations, is an exception rather than a rule (Heide and John, 1992). In contrast,

collaboration and commitment often form the basis for partnerships (e.g. Artz, 1999; Chen and Wu, 2010) where the key motive is to achieve higher mutual benefit and value (e.g. Anderson and Narus, 1991) and to continue valued relationships where both firms pursue common goals (Bendapudi and Berry, 1997). Such motives relate to the desire for *reciprocity* in partnerships (Oliver, 1990). The conditions for partnership development can be linked to strong social positions of firms, as outlined by Eisenhardt and Schoonhoven (1996). According to these authors, a strong social position includes personal relationships and strong reputation and status. Personal relationships contribute to trust between partners, while strong reputation and status make the company attractive for potential partners (Eisenhardt and Schoonhoven, 1996). It is relevant to mention that, in line with the structure of business markets, social positions are products of the whole network activity, and thus are important indicators of a firm's quality and suitability for a partnership. Indeed, companies will cooperate more eagerly with their counterparts if the latter have demonstrated their trustworthiness in other relationships (Hill, 1990, cited in Holm et al., 1996). Moreover, it is not only personal relationships between partners that are likely to be important: the networks of personal relationships that each company brings to a partnership might be equally valuable, and can be another condition for engagement in partnerships.

Some of these conditions have been supported by the evidence from empirical research. For instance, Wilson (1995) identified partners' reputations and technology as conditions for engagement in partnerships, while Lemke et al. (2003) highlighted the importance of strong personal relationships between partners. Additionally, Lemke et al. (2003) empirically revealed that close supplier location, provision of specific services required by buyer, contribution of supplier to new product development, and constant maintenance of



relationships are also important conditions for engaging in partnerships. Humphreys et al. (2001), in a study relating to Hong Kong manufacturing industries, suggested involvement in problem solving, the partner's capacity to meet the customer's demands, and smooth logistics as key conditions for establishing collaboration. Such empirical evidence, however, remains scant in the buyer-seller partnership research and, thus, needs to be broadened.

#### 2.4.3.4. Outlining the gaps

The discussion above demonstrated that partnerships have been addressed from various points of view, which highlight different motives and conditions for engagement in partnerships. However, the theories provide different evidence and, thus, it is unclear whether actors' engagement in partnerships is motivated by a particular factor or a combination of these. For instance, Izquierdo and Cillan (2004) argue that "the decision to initiate a relationship with another organization is commonly based on multiple contingencies"; in other words, it is based on an "interaction of efficiency, stability and reciprocity motivations" (p.977). However, "an overall picture of a partnership is hard to achieve" (Chen and Wu, 2010), since there is no comprehensive theory which could combine these various approaches (Ploetner and Ehret, 2006). In addition, buyer-seller partnerships are rarely addressed separately from either relationships or alliances *in general*. Thus, it is not clear which motives are specific to partnerships.

Moreover, there is a widely recognised lack of empirical research. The few empirical studies undertaken focus *either* on a buyer's *or* on a seller's perspective, with the latter being

addressed much less (Campbell, 1997; Gibson et al., 2002; Lettice et al., 2010). Thus, one of the targets of this research is to identify the motives and conditions for *both* buyers' and sellers' engagement in partnerships.

As follows from the discussion above, all the approaches point to the fact that actors' engagement in partnerships is often triggered by difficult contextual situations. Therefore, engagement in partnerships should be studied in relation to contextual characteristics. However, very little is known about partnerships in non-Western business-to-business service industries, since they are mainly studied within the context of manufacturing industries. The following section discusses the contexts of current partnership research, and presents the context of this study.

#### **2.4.4. Partnership initiation: The contexts of partnership research**

As argued in the initial discussion of relationships in business markets, buyers and sellers interact and develop partnerships within a particular context; this affects behaviour and, in turn, the resulting relationships. The role of context, therefore, cannot be ignored. There are two important issues which need to be addressed: the industrial and the cultural contexts.

#### 2.4.4.1. Industrial contexts of partnership research

Services dominate most developed economies, and are becoming increasingly important in emerging economies. In spite of this significance, the examination of partnerships in business markets has tended to be goods- rather than services-oriented, as evidenced by Table 2.3.

**Table 2.3. Contexts of research on partnership**

<b>Authors</b>	<b>Study</b>	<b>Industry</b>	<b>Country</b>
Dodgson (1993)	Technological collaboration	Biotechnological industry	UK
Fram and Presberg (1993)	Supplier perspectives on partnerships	Paper industry	US
Stuart (1993)	Strategic benefits of partnerships	Food processing, machinery manufacturing, carton manufacturing, auto parts supply	US
Gardner, Cooper and Noordewier (1994)	Shipper-carrier and shipper-warehouser partnerships	Transportation and warehousing industries	US
Mohr and Spekman (1994)	Partnership attributes	Personal computer industry	US
Ellram and Hendrick (1995)	Partnering characteristics	E.g. Air transportation, banking, communications, food, petroleum	US
Campbell (1997)	Partnership norms	Flexible packaging industry	European countries
Tuten and Urban (2001)	Business-to-business partnership formation	E.g. agriculture, manufacturing, mining, construction, retail, transportation, insurance, real estate	US
Humphreys, Shiu and Chan (2001)	Collaborative buyer-seller relationships in Hong-Kong manufacturing companies	E.g. engineering, electronics, textiles, toys, plastics, food	China
Rinehart et al. (2004)	Different types of buyer-seller relationships	Transportation, agricultural equipment, petroleum, healthcare, appliance manufacturing, food	US

Vargo and Lusch (2004a) offer an explanation of this with reference to the adoption of goods-dominant logic, which implies production, consumption, distribution and resources as the key components of buyer-seller relationships. However, the authors also took a first step towards recognition of other components of relationships, like co-creation of value, knowledge, skills, collaboration and dialogue. These components form service-dominant logic, which views the customer as “a collaborative partner with whom value is co-created” (Lusch et al., 2008 p.12). This approach underlines the fact that as a type of business relationship, partnerships are fundamental and common in service industries, even though this has not been explicitly recognised before.

This research examines the shipping industry, which has been a rare choice for investigating partnerships. The closest example comes from logistics (Tate, 1996). Gardner et al. (1994) studied shipper-carrier and shipper-warehouser partnerships, and came up with a strategic model of the partnership-building process as a result of their study. While the model facilitates understanding of the formation of closer relationships between parties, it does not provide a better understanding of the nature of partnerships. The study is mainly concerned with “hard” and technical attributes of partnerships, and does not account for softer attributes like personal relationships. Again, this clearly shows the adoption of goods-dominant logic and a lack of recognition of co-creation of value by suppliers and customers. Moreover, the specifics of the industry again are not taken into account, while the shipping industry clearly represents a very different field due to complex combinations of services, goods and tangible and intangible results. A major part of the shipping industry is represented by ports, which provide cargo loading and unloading services. The port service and shipping industry represents a constantly developing business-to-business market, which is characterised by a

high concentration of both buyers and sellers within cargo loading services, which stimulates competition between ports on the one hand, and promotes development of closer relationships between ports and shipping companies on the other. While this has been recognised, no study has actually looked at the links between these context features and the relationships developed between buyers and suppliers in the shipping industry<sup>4</sup>.

#### *2.4.4.1.1. Growth in the container shipping industry*

The shipping industry worldwide has undergone a number of changes in the last 30 years (Olivier, 2005). The key changes include the increased containerisation of cargo, the emergence of container terminals, as a consequence, and the appearance of new players, such as China, in the global shipping arena. The container trade increased five times from 1990 to 2008 (see Table 2.4.), and is expected to double by 2016 (UNCTAD, 2008).

**Table 2.4. Growth of demand and supply in container shipping, 2000-2008**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Growth in containerised trade (TEU)</b>	11.0	2.0	11.0	11.0	13.0	11.0	11.0	10.0	9.0
<b>Growth in container carrying fleet (TEU)</b>	7.8	7.8	8.5	8.0	8.0	8.0	13.6	11.8	13.1
<b>Balance</b>	3.2	-5.8	2.5	3.0	5.0	3.0	-2.6	-1.8	-4.1

*Source: UNCTAD, 2008*

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<sup>4</sup> The general structure of the container shipping industry is addressed in this section, while further information on its recent trends together with the specificities of the focal company's context is provided in the empirical part of the thesis.

The shift towards containerisation brought changes in terms of vessel sizes and design, cargo handling procedures, working practices and information and communication systems (Martin and Thomas, 2001). In addition, containerisation required the development of special facilities and equipment at the terminals in order to provide efficient and smooth services to their clients, the shipping lines. As suggested by Martin and Thomas (2001), the word “terminal” was introduced in the shipping context to reflect the integration of the cargo handling activities with in-land activities and service provision to exporters, as well as shipping lines. In comparison to loose cargo, shipping containerisation led to a decrease in the number of third parties involved in the logistics and handling side, making a “container terminal” an entity under which a range of related activities are run (Martin and Thomas, 2001).

Several authors have highlighted changes in relationships between actors in the shipping industry due to the rise of containerisation and growing technological capacity (e.g. Martin and Thomas, 2001; Olivier, 2005; Soppe et al., 2009). Traditionally, the shipping industry consisted of ports, shipping lines, freight forwarding companies, stevedoring companies, third-party inland logistics providers and shippers. The activities of each party included limited communication and coordination with other members of the community (Harrison, 1963). This resulted in a lack of efficiency in the utilisation of equipment, an overlapping of tasks and duplication of control, long berth-allocation waiting time and prolonged stays of the ships at berths. The relationships between the members of the shipping community were predominantly contract-based, within the frames of each party’s function in the supply chain. However, containerisation changed the rules in shipping. In order to run a set of activities in one organisation efficiently, terminals needed to invest in new equipment and berth construction. However, these costly, long-term investments should be put in place according

to the needs and requests of customers. On the other side, shipping line companies have had to adjust their vessels according to the specificity of container transporting, with the adjustments primarily relating to size and design. On the part of exporters, there was a need to consider the further transportation of containers after their handling in the terminals, and also the storage of the loaded and empty containers. Freight forwarding companies found their niche in providing logistics and cargo tracking services (Martin and Thomas, 2001). Under these circumstances, it is clear that the container terminal industry has undergone several adjustments. In particular, Olivier (2005) and Soppe et al. (2009) discuss the rise of partnerships among shipping lines and between shipping lines and terminals. These latter partnerships, according to Olivier (2005), are usually based on either vertical integration or equity relationships, while Martin and Thomas (2001) and Soppe et al. (2009) suggest that even contractual relationships between shipping lines and terminals are becoming closer. Martin and Thomas (2001), however, predict that the development of closer relationships between terminals and shipping lines is primarily guided by the transactional benefits from improvements in information exchange and efficiency, rather than by the idea of long-term commitment. The authors argue that under the trend of alliance formation between shipping lines, the power is concentrated on the side of the lines, which means that relationships between terminals and shipping lines are highly imbalanced. However, it can be argued that there are still many shipping line companies but a very limited number of terminals, and therefore the choice of terminal is limited for a shipping line. Secondly, the shift from the traditional port service practice of loading and unloading cargo, to the terminal providing a comprehensive package of services, makes the relationships with both shipping lines and exporting companies more complex, and is likely to create more ties. However, since little is



known about partnerships in the shipping industry, this research studies the possibility and the key features of buyer-seller partnerships within this industry in China.

#### 2.4.4.2. China as a context for partnership research

Studies of buyer-seller partnerships in non-Western contexts are limited. As shown in Table 2.4, out of ten studies, only one has been conducted in an Asian context. This is surprising in the light of growing interest in Asian countries, with China being the most attractive in terms of research. China is one of the most rapidly developing economies (Buttery and Leung, 1996), and has undergone major political and economic reforms in the last 35 years (Wu and Davidson, 2011). The transition from a closed-plan to an open market economy has created the environment characterised by a number of paradoxes due to the “coexistence of the old and the new” (Tse, 2009, p.156). China is one of the largest producers of consumer goods, toys and electronics (Tse, 2009) and one of the largest recipients of foreign direct investment (FDI) in the world (Lee et al., 2001). Such results, associated with a free market, have been generally assumed to go together with political democracy. However, the Chinese economy is developing “in what has most of the appearances of a capitalistic economy, all the while maintaining a very authoritative and powerful Communist central government” (Wu and Davidson, 2011, p.113), which still has a significant influence on business dealings. At the organisational level, the changes in the economic landscape have affected management styles and, as argued by some scholars, managers’ value systems as well (e.g. Ralston et al., 1999). In particular, scholars have begun to wonder whether the role of close business relationships, or *guanxi* practices (Wong and Chan, 1999; Lee et al., 2001) is increasing or declining in

buyer-seller relationships in China (Chen et al., 2011). While the Chinese business environment is multidimensional, it is not feasible to cover all aspects of it within the frame of this research. *Guanxi* practices and the influence of the government on business are key features of the Chinese business context discussed in the literature, and thus are addressed below.

#### *2.4.4.2.1. Government role in the operation of the shipping industry in China*

From 1949, when the People's Republic of China was formed under the leadership of Mao Zedong, up to 1976, China was a socialist country in which the Communist party controlled the means of production. In 1978, the implementation of economic reforms through the gradual opening up of the country, step-by-step adoption of the market economy, and administrative decentralisation under the leadership of Deng Xiaoping began (Nolan, 1995). The key ideas of these reforms were to allow the creation of privately owned enterprises, to reduce government involvement in production and distribution activities and price setting, to attract foreign investments and to stimulate international business. However, while China has been successful in achieving most of these goals, the reduction of government control is rather challenging. Indeed, Tse (2009) argues that the restrictive practices have persisted in Chinese political, economic and cultural spheres for so long that it is still hard for them to disappear.

In order to attract foreign direct investment and to stimulate trade, the Chinese government created Special Economic Zones (SEZ) around the coastal cities. These zones received increased flexibility in seeking FDI, and benefited from tax concessions. The local

government, however, was entitled to a large portion of the SEZs' revenue (Liang, 1999). One of the key businesses which grew rapidly in the SEZs was the shipping industry. However, while the ports and foreign shipping companies continue to benefit from the advantages of the SEZ, the regulations from the government remain high. Indeed, as argued by Tse (2009, p.152), "ports are by definition at the nation's frontiers". Therefore, the actions of all the actors connected to ports are highly regulated by the state and local authorities. According to Tse (2009), although these regulations have been considerably relaxed as part of the reform programme, bureaucracy still persists, which reduces efficiency in the Chinese ports, provokes corruption and increases transaction costs for the shipping companies.

Clearly, such government influence on the shipping industry is likely to affect the formation of buyer-seller relationships between the terminals and their customers. For Chinese companies, the government can be argued to be an important and powerful actor in their network context (Anderson et al., 1994), which affects the necessary resource allocation and relationships, which affect the terminals' network identities (Hakansson and Johanson, 1988). For international customers, like shipping lines and end users, government influence can be regarded as a part of the "China factor" (Tse, 2009, p.187), which is likely to contribute to the environmental uncertainty. From the perspectives of various theories discussed earlier, such contextual conditions are likely to create the need for developing close partnership relationships. However, buyer-seller partnerships in the shipping industry in China have hardly been addressed in partnership research. Therefore, no assumptions about the contextual effects on buyer-seller partnerships have been made prior empirical research.

#### 2.4.4.2.2. *Guanxi in buyer-seller relationships in China*

*Guanxi* is “the lifeblood of business in China” (Shou et al., 2011, p.503). Farh et al. (1998) see *guanxi* as a specific type of interpersonal relationship built around a particular criterion, while Pye (1992) suggests that *guanxi* is a special “friendship with implications of continued exchange of favours” (Ramasamy, et al., 2006, p.132). *Guanxi* is argued to “strengthen interfirm cooperation” and “[facilitate] economic transactions” (Shou, et al., 2011, p.503) by providing preferential treatment to exchange partners and access to information and limited resources (Lee et al., 2001).

Academic literature explains the existence of *guanxi* from economic and social perspectives. Scholars argue that characteristics of the Chinese economy decrease the efficiency of formal links between business actors and raise the role of informal, personalised relationships in business dealings in China (e.g. Lee et al., 2001). According to the economic perspective, *guanxi* reduces transaction costs in exchanges and makes it possible to obtain necessary resources and information through developing an “informal” system of personal relationships in the absence of the efficient formal legal system (Wong and Chan, 1999). The social perspective states that *guanxi* is a part of the Chinese culture, and thus is present in all dealings, including business ones. The concept of *guanxi* is based on principles of the acceptance of one’s social role, respect for those who are hierarchically higher, mutuality of obligations, striving for collective rather than individual welfare (Hofstede, 1980), and long-term commitment to one’s development (Wang et al., 2005). Based on these principles, Chinese social and business actors value “trust development prior to business and information exchange”, and expect reciprocity (Bjorkman and Kock, 1995, p.526). *Guanxi* development in the Chinese context means the creation of trust circles in order to stimulate dealings. Indeed,

since “guan” means a gate and “xi” means to tie or to connect, *guanxi* can be translated as “pass the gate and get connected” (Lee and Dawes, 2005, p.29). Thus, companies with good *guanxi* “open” business doors much more easily than those without (Bjorkman and Kock, 1995).

*Guanxi* is argued to have both positive and negative aspects (Lee et al., 2001). Positive aspects are associated with the facilitation of transactions. Negative aspects refer to favouritism (Wong and Chan, 1999), and “pursuit of personal interest” or an “under-table type of corruptive behaviour” (Wong, 1998, p.25). However, such views are limited, since they are often drawn from a Western point of view and neglect the Eastern “explanatory root” of *guanxi* behaviour (Wong, 1998, p.25). Indeed, *guanxi* is often assumed as a “Chinese version” of relationship marketing (Wang, 2007, p.81), and has its own unique features which make it different from relationships in the West (Lee et al., 2001). The concept of *guanxi* is broad, and includes three key dimensions: *ganging* (feelings, emotional attachment), *xinyong* (trust, faith) and *renqing* (human sympathy, favouritism) (Yen et al., 2011).

*Ganging* refers to the feelings that exist between the members of a network. *Ganging* is likely to differ between relationships based on *expressive*, *instrumental* or *mixed* ties (Wong and Chan, 1999). Expressive ties exist between family members and close friends, and are stable and “affect-driven” (Wang, 2007, p.82), which means that required resources are allocated according to the individual *need* rather than an individual *contribution*. Instrumental ties exist between strangers and in transactional buyer-seller relationships, are temporary, with little *ganging*, and are contribution-based with regards to the resource allocation (Lee, et al., 2001; Wong and Chan, 1999). Mixed ties fall somewhere in between, and refer to close business

relationships in which *ganging* exists and resources are allocated in a favourable manner for those from the same *guanxi* network (Wang, 2007). *Ganging* in business relationships can be linked to the RM concept of social bonding (Wilson, 1995) or “liking” between a buyer and a seller (Yen et al., 2011, p.99). However, Wang (2007) argues that despite the fact that RM and other Western views of buyer-seller relationships emphasise long-term cooperation, they are closer to instrumental ties where *ganging* is not present. The author stresses the fact that Western close relationships are impersonal and networking is mostly commercial, while in China *guanxi* relationships are beyond commercial goals and imply emotional commitment – *ganging*, which means that the parties sharing it rely on each other’s help in difficult times.

*Xinyong* refers to trust and reliance on existing relationships. It implies one’s integrity and trustworthiness measured by the extent to which a person keeps promises (e.g. Chen and Chen, 2004). *Xinyong* is built gradually over time and involves favour exchanges (Yen et al., 2011). In business, trust is very important since it reduces the potential of opportunism in the uncertain economic and legal environment. Similarly to Western reasoning, *xinyong* is one of the most important components of a partnership (Yen et al., 2011). However, trust usually contains contractual aspects (e.g. Sako, 1992), while *xinyong* relies on oral agreements. Failing to fulfil an oral agreement in *guanxi* relationships might lead to the *loss of face*, which implies the loss of credibility.

*Renqing* relates to favour provision and reciprocity. It is based on the idea that people from the same *guanxi* network have the obligation of reciprocity. Therefore, if one party receives a favour it becomes indebted to the other party and must repay the favour. The failure to do so is regarded as immoral, and might lead to the loss of face and deterioration of reputation

within the network (Wang, 2007). Reciprocity features in Western literature as well. However, if Western relationships are based on short-term and symmetrical reciprocation, in *guanxi renqing* can be repaid in the long term, as needed (Wang, 2007).

The discussion above leads to the conclusion that *guanxi* forms a very specific business environment in China, which differs from the Western one. However, recently scholars have begun to question whether the role of *guanxi* in buyer-seller relationships in China is increasing or declining under the influence of economic changes (Chen et al., 2011). The social perspective, discussed earlier, views *guanxi* as a cultural phenomenon and supports the idea of its increasing role, while the economic perspective links the existence of *guanxi* with institutional inefficiency, and expects its role to decline as the economy develops (Chen et al., 2011). However, there is hardly the information about the importance of *guanxi* in modern buyer-seller partnerships in China.

#### 2.4.4.3. Implications for the research

The business environment of the Chinese shipping industry is characterised by specific networks of firms and relationships, which include government as a key actor and *guanxi* as an important facilitating mechanism. It is reasonable to assume that contextual characteristics will affect the initiation of buyer-seller partnerships, which are at the heart of this investigation. This study recognises that the context specificity might limit the generalisability of the obtained results; however, it is believed that by *contributing* to the understanding of the nature of buyer-seller partnerships, this research can advance the investigated field.

Having addressed the initiation of buyer-seller partnerships from the perspective of actors' motives and conditions for engagement and contextual specificities, the next section focuses on partnership functioning and presents key partnership attributes.

#### **2.4.5. Partnership functioning: The attributes of partnerships**

Several inconsistencies were identified in section 2.3, in relation to understandings of partnerships. The majority of inconsistencies concern partnership attributes. An attribute is “a quality or feature regarded as a characteristic or inherent part of someone or something” (Oxford Online Dictionary, 2011). Research on buyer-seller partnerships has come up with a variety of attributes (e.g. Mohr and Spekman, 1994; Graham et al., 1994, Wilson and Jantrania, 1996, Rinehart et al., 2004), some of which are summarised in Table 2.5 below. The attributes presented in Table 2.5 were selected so as to include both the most agreed-upon in the literature, and those featured in early and in recent studies of partnerships.



**Table 2.5. The attributes of buyer-seller partnerships**

	Wong et al. (2010)	Laing and Lian (2005)	Rinehart et al. (2004)	Fontenot and Wilson (1997)	Wilson and Jantrania (1996)	Gentry (1996)	Mohr and Spekman (1994)	Graham et al. (1994)	Stuart (1993)	Anderson and Narus (1990)
Trust	X	X		X	X		X			X
Commitment	X			X		X	X	X		
Interdependence	X		X	X					X	X
Power										X
Long-term perspective	X	X				X		X	X	
Understanding	X									
Closeness	X									
Coordination							X			
Communication	X		X				X			X
Cooperation	X	X		X						X
Information sharing				X		X		X	X	
Sharing of risks and rewards						X		X		
Shared values				X						
Satisfaction	X				X					X
Joint problem-solving							X		X	
Continuous improvement									X	
Voluntary basis								X		
Bonds					X					
Goal congruence					X					
Investments		X	X		X					
Focus on continuity								X		
Wide range of transactions			X							
Personal relationships			X							
Organisational capability			X							
Small volumes			X							

A number of attributes from Table 2.5 have been used in the academic research to differentiate buyer-seller partnerships from other relationship types. However, as demonstrated earlier, scholars often disagree about the *key* distinguishing attributes as well as their conceptualisations. Thus, there is a difficulty in choosing which attributes to focus on in order to develop a better understanding of the nature of partnerships. Since this research considers multiple dimensions of partnerships, ideally it would be appropriate to focus on attributes that are supported across studies of partnerships based on different theoretical approaches. However, partnership studies rarely specify the theoretical approaches they adopt, and concentrate more on concepts than theories (see Table 2.6.). Therefore, it is important to consider attributes which have received the most academic support across different studies.

**Table 2.6. Empirical studies of buyer-seller partnerships**

<b>Authors</b>	<b>Topic studied</b>	<b>Perspective</b>	<b>Underlying theoretical approach</b>
Anderson and Narus (1990)	The model of distributor-manufacturer working partnerships	2 sides (unmatched)	Combination of TCT and relational concepts
Stuart (1993)	Partnership success factors	Buyer	Relational approach
Fram and Presberg (1993)	Supplier attitude towards partnerships	Supplier	Not specified
Graham et al. (1994)	Partnership success factors	Buyer	TCT
Mohr and Spekman (1994)	Characteristics of partnership success	Buyer	Not specified
Ellram and Hendrick (1995)	Partnering characteristics	2 sides	Relational approach
Ellram (1995)	Partnership success factors; partnerships' failure	2 sides	Relational approach
Brennan (1997)	Partnership benefits	2 sides	Combination of TCT and relational concepts
Campbell (1997)	Comparison between buyer's and seller's behaviours in partnerships	2 sides	Not specified
Tuten and Urban (2001)	Partnership attributes, partnership success	Buyer	Not specified
Humphreys, et al. (2001)	Conditions for initiating supplier collaboration	Buyer	Not specified
Angeles and Nath (2003)	Supply chain partnerships; relationship attributes	2 sides	Not specified
Lettice et al., (2010)	Investments in buyer-seller partnerships	2 sides	Not specified

#### 2.4.5.1. Behavioural elements in buyer-seller partnerships

Many of the attributes listed above reflect the ways buyers and sellers behave in partnerships. For instance, Stuart (1993) outlined information sharing, joint problem-solving, continuous improvement and mutual dependency as key features required for partnerships to work. Similar points were made by Graham et al. (1994), who described partnerships as voluntary relationships based on closer cooperation between parties on a long-term basis. Mohr and Spekman (1994), as well as Landeros et al. (1995), emphasise coordination of activities and improved communication as key elements of parties' behaviours in partnerships. Such *behavioural elements* are rarely grouped or conceptualised in any way other than under the general umbrella of "attributes". A possible explanation for this is the lack of theoretical specifications in buyer-seller partnership studies, as demonstrated by Table 2.6. At the same time, when an underlying theory is specified, the behavioural elements outlined are usually limited. For instance, Donaldson and O'Toole (2000) argue that the majority of relationship studies take either a transaction cost or a relational perspective, and thus focus either on the economic content or on the social<sup>5</sup> processes in a relationship. Neither approach, however, provides a full understanding of the nature of various relationships. Thus, among others, Donaldson and O'Toole (2000) argue that relationship studies should be based on multiple perspectives, which combine the economic and social aspects of relationships. The same, therefore, can be applied to buyer-seller partnerships. According to the authors, the economic content of relationships is reflected through the *actions* undertaken by the parties. Actions reflect actors' positions with regards to issues such as risk avoidance, distribution of power, price and overall commitment to relationships (Donaldson and O'Toole, 2000). Examples of

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<sup>5</sup> Donaldson and O'Toole (2000) use the words "social" and "behavioural" interchangeably, with the latter being used most in the paper. However, since in this research a group of attributes is conceptualised under "behavioural elements", the term "social" is used to avoid repetition and confusion between the terms.

actions can include investment patterns in a relationship, or the degree of information exchange. In addition to the ideas of Donaldson and O'Toole (2000), it can be argued that actions are likely to reflect not only economic but also strategic aspects of relationships. Indeed, on the basis of the earlier discussion of actors' motives for engagement in close relationships, it can be concluded that not all actions are undertaken in order to increase operational efficiency; some also have the purpose of enhancing competitive advantage. Social processes in a relationship, according to Donaldson and O'Toole (2000), are reflected through actors' *beliefs* about the relationship. For example, a perception of the other party's promise-keeping represents such a belief. The authors argue that actions and beliefs demonstrate how relationships are managed by the parties and jointly indicate the strength of relationships. Unfortunately, the authors do not provide a more detailed discussion of the definition and the measures for actions and beliefs, and do not specify those typical for buyers and sellers. Nevertheless, one can argue that actions represent the behaviour of actors in a partnership, while beliefs represent the perceptions and feelings actors have towards each other. In other words, an action is something which is *done* by either party, while a belief is something which is *felt* by a party. Equally, a belief can be argued to represent a mental reflection upon an experience of an actor connected with the other party. Thus, sharing of information, sharing of risks and rewards, bonds, investments, resource exchanges and joint problem-solving reflect the actions undertaken by parties in a partnership. At the same time, goal congruence and long-term perspective reflect the perceptions or beliefs of actors about their partnerships. Such action-belief conceptualisation of behavioural elements represents a rare case of a multidimensional approach towards investigation of relationships, which seems logical and thus is adopted in this research with the purpose of understanding and comparing the actions and beliefs of buyers and sellers in partnerships.

However, before discussing actions and beliefs in a greater detail it is important to emphasise attributes which are *not* conceptualised under behavioural elements. Donaldson and O'Toole (2000) include trust and commitment under the beliefs component. However, other authors tend to conceptualise these attributes separately. For instance, Cannon and Perreault (1999) argue that trust and commitment refer to “aspects of relationships that [are] not anchored behaviourally” (p.441). At the same time, according to the authors, such attributes are related to actors' behaviours and expectations about behaviours. Equally, power and interdependence, which feature in many studies of buyer-seller relationships, can be argued to refer to non-behaviourally-anchored attributes. Indeed, recently trust commitment and interdependence were conceptualised by Golicic and Mentzer (2005, 2006) under the attribute of relationship magnitude or *relationship strength*, which indicates how close relationships are. One can argue that, indeed, relationship strength is formed under the influence of beliefs and actions of the parties. Therefore, in this research the attribute relationship strength is conceptualised separately from behavioural elements, and its components are discussed in detail later on in the chapter. Finally, personal relationships, which were found to be an important part of business in China, are likely to affect the strength of relationships between the parties. Thus, personal relationships are also conceptualised separately from actions and beliefs under relationship strength.

Having addressed conceptualisation of the attributes of behavioural elements and its underlying rationale, it is now time to analyse some actions and beliefs that feature in buyer-seller partnership research. It is important to highlight that the full spectrum of actions and beliefs is not specified before the field research, as the main idea is to empirically identify actions and beliefs that are natural for buyer-seller partnerships. Nevertheless, some

behavioural elements appear in most of the studies of buyer-seller partnerships, and thus are addressed below.

#### *2.4.5.1.1. Coordination of activities in partnerships*

Coordination refers to actions undertaken by the parties and appears in many studies of partnerships. Zacharia et al. (2009) state that coordination is often used interchangeably with *cooperation* and *collaboration*. This does not seem to be quite correct as coordination represents the means of managing interdependencies between organisations, which come in three forms: competition, cooperation and collaboration (Malone and Crowston, 1994).

Relationship marketing and supply chain management literature refer to cooperation between buyers and sellers. The same concept is included in the IMP interaction framework (e.g. Hakansson and Snehota, 1995), as well as being recognised by the network approach. Initially, “cooperation” appeared in these sources, in contrast to “competition” as used by earlier theoretical approaches, like transaction cost analysis. Competitive forms of coordination involve “unilateral and reactive decisions that have an impact on the other firm but are clearly designed to maximize the benefits to their own firm” (Zacharia et al., 2009, p.105). In contrast, cooperation is a form of coordination of actions aimed at achieving “mutual outcomes or singular outcomes with expected reciprocation over time” (Anderson and Narus, 1990, p.45). According to Zacharia et al. (2009) cooperation involves simple information sharing and limited support of activities from one organisation to another when asked for, and when it does not have a negative impact on the sharing/supporting

organisation. Cooperation is often included in the key behavioural elements of partnerships (e.g. Fontenot and Wilson, 1997; Laing and Lian, 2005).

Collaboration involves more resources and more complex levels of information sharing and joint activities (Zacharia et al., 2009). Thus, the main difference between cooperation and collaboration is the depth of the action taken. This represents a slight paradox, however, in that the concept of collaboration does not include the time dimension. The companies studied by Zacharia et al. (2009) were presented as having been collaborating with their counterparts for a year on average. This means that collaboration does not inherently carry the long-term perspective and can be conducted over a short period of time. At the same time, collaboration is argued to be associated with complex information-sharing, for which, presumably, certain levels of trust should be developed, and this cannot happen within a short period of time. While the levels of collaboration in partnerships are under-researched, there are studies which claim that collaboration, rather than cooperation, is the key behavioural element of partnerships, in terms of reflecting the way interdependencies are managed within them. Nevertheless, one can argue that there is still little differentiation between the two forms of coordination. Thus, it is important to emphasise the difference and to see which coordination form is relevant to a partnership. It is, therefore, one of the tasks of this research to uncover how actions are coordinated in partnerships and whether coordination is of a collaborative nature.



#### *2.4.5.1.2. Communication in partnerships*

Communication is critical to developing partnerships as it is through communication that trust is built, commitment is developed and collaboration is achieved (Mohr and Spekman, 1994). Surprisingly, it is not entirely clear what, exactly, communication entails. As with many concepts in the literature on buyer-seller partnerships, there is a lot of overlap between the components of coordination and communication. For example, joint planning and information sharing can be found as a component of both. While Mohr and Spekman (1994) relate information sharing with communication, Zacharia et al. (2009) relate it to coordination of activities. Consequently, there is a need for clarification.

As mentioned above, coordination refers to means of managing interdependencies between parties. Interdependence is the relative degree of each party's dependence on the other. Subject to this degree of dependence, parties have greater or lesser need and stimuli for various types of coordination activities. This works in the opposite direction as well: the more coordination of activities companies pursue, the more dependent on each other they become. Therefore, it is coordination that determines the ways companies act: how they share information and make decisions, and whether they engage in joint projects. Communication can be viewed as the channel through which coordination is carried out and brought to the attention of buying and selling companies. Therefore, information sharing can be viewed as a result of communication behaviour and as an input into coordination of activities. The same is true for parties' involvement in joint planning, joint projects, joint decision-making and other joint activities found in partnerships. Communication behaviour in partnerships has been found to include frequency of communication (Rinehart et al., 2004) and the content of information shared between the parties (Mohr and Spekman, 1994). One more feature of

communication can be added here – the level of formality. Since this research is concerned with identifying behavioural elements of buyer-seller partnerships, and since the typologies of relationships, discussed earlier, have highlighted different levels of formal (organisational and interpersonal) communication in different relationship types (e.g. Wong et al., 2010), the level of formality can be considered another important aspect of communication, which can help to better reflect the nature of partnerships. The research into these aspects of communication in partnerships is limited, with the majority of studies providing quantitative results (e.g. Mohr and Spekman, 1994). While these make it possible to link partnerships with high levels of communication, the roles of buyers and sellers in this process, and their corresponding participation, remains under-explored. Thus, communication is included as one of the attributes to be investigated in this research.

#### *2.4.5.1.3. Investments in partnerships*

Investment is another behavioural element outlined in partnership research. There is an agreement among researchers that investments improve buyer-seller relationships (e.g. Dyer, 1994; Turnbull et al., 1996). However, the opinions of the scholars divert with regards to the mutuality and balance in investments by buyers and sellers (Lettice et al., 2010). Turnbull et al. (1996) suggest that investments in partnerships are mutual and are “made not only to intensify the relationship and to demonstrate the interest that the partner has in developing a strong relationship, but also with the faith that the other partner will reciprocate” (p. 60). Similarly, Ford (1997) argues that in business markets parties cannot make unilateral decisions and, thus, are consulting with each other and take each other’s needs into account.

However, other authors state that *mutual* investments are unlikely in buyer-seller partnerships, since sellers bear the majority of investment unilaterally (e.g. Helper and Sako, 1995). In addition, according to a study conducted by Lettice et al. (2010), both buyers and sellers are willing to invest in their partnerships. However, buyers invest mainly their time and manpower in joint problem-solving and performance improvement, and expect much more investment from their suppliers, while suppliers invest time, manpower and financial resources. Thus, there is an imbalance in the investments undertaken by the parties. However, despite such imbalances, buyers and sellers in Lettice et al.'s (2010) study were found to value their partnerships, and reported higher investments than in their non-partnership relationships.

It can be concluded that current research provides contradictory evidence with regards to actors' investment levels in partnerships. Moreover, scholars emphasise that there is little research on the supplier's perspective of investment in partnerships (e.g. Campbell, 1997; Stuart, 1997). Thus, to take a further towards filling these gaps, investments are considered in the empirical part of this research.

#### *2.4.5.1.4. Key beliefs in partnerships*

Table 2.5 contains behavioural elements which, according to Donaldson and O'Toole (2000), fall under "beliefs" – i.e. social factors. However, as can be noted from Table 2.5 and as follows from the analysis of the literature, the majority of research focuses on actions, rather than beliefs, in partnerships. Researchers seek to understand communication patterns and

frequency (e.g. Rinehart et al., 2004), activity coordination (e.g. Zacharia et al., 2009) and levels of investment in partnerships (e.g. Wilson and Jantrania, 1996), rather than partners' beliefs. Key beliefs identified by researchers are understanding (e.g. Wong et al., 2010), goal congruence (e.g. Wilson and Jantrania, 1996) and shared values (e.g. Fontenot and Wilson, 1997). However, there is very little consistency across studies with regards to these beliefs, and little explanation of how they feature in a partnership. Questions that arise include the following: Are these mainly sellers, buyers or both who tend to express a particular belief in a partner? Are particular beliefs stronger in partnerships than in other relationships? To the knowledge of the researcher, there are no widely accepted views on these points. Therefore, as part of the investigation into buyer-seller partnerships, this research seeks to reveal the key beliefs of *both* buyers and sellers.

#### *2.4.5.1.5. The advantages of the action-belief approach*

The action-belief approach offers logical conceptualisation of behavioural elements, and is thus believed to reflect a holistic picture of partnerships and allow a number of attributes appearing in a partnership to be considered as an action or belief. This might help to bring more structure to behavioural attributes of partnerships, and automatically compare these with those identified by previous research. In turn, the explanation of identified actions and beliefs might shed light on how partnerships differ from other relationship types. Additionally, this approach can assist with identifying actions and beliefs that are specific to buyers and sellers, and thus reveal who usually takes the lead in a partnership and what management levels are involved in partnership operation. Overall, it can be argued that the action-belief approach

brings clarity, integrates various theoretical approaches and addresses partnerships in a more structured way. Therefore, current research adopts it to study behavioural elements in partnerships.

#### 2.4.5.2. Strength of partnership

As has been argued earlier, not all aspects of partnerships are anchored behaviourally (Cannon and Perreault, 1999). In particular, trust and commitment have been argued to represent such aspects. While trust and commitment appear in the majority of studies of relationships in general, and buyer-seller partnerships in particular, they have been traditionally conceptualised as antecedents to relationships and to each other (Golicic and Mentzer, 2006). Only recently, Golicic and Mentzer (2006) conceptualised and empirically proved that trust and commitment refer to the attributes of buyer-seller relationships, and represent the dimensions of a “higher order construct” – relationship strength (or relationship magnitude). The authors suggested that the structure of all relationships is determined by their type and relationship magnitude. Type is defined as “the group or class of relationships that share common governance characteristics and span a continuum from transactional relationships to integrated” (Golicic and Mentzer, 2005, p.47). Magnitude is similar to what Donaldson and O’Toole (2000) define as relationship strength – “the degree or extent of closeness or strength of the relationships among organisations” (Golicic and Mentzer, 2005, p.47). Following these definitions, this research seeks to reveal the strength of buyer-seller partnerships, which are chosen as the specific relationship type. While the list of relationship strength constructs can be extended, trust and commitment have found the largest support

across academic studies (e.g. Ganesan, 1994; Morgan and Hunt, 1994; Mohr and Spekman, 1994; Rinehart et al., 2004), and thus are chosen for investigation. As follows from the discussion of the Chinese context, personal relationships, or *guanxi*, contain elements which can be linked with trust (*xinyong*) and commitment (*ganging*). Therefore, in discussing relationship strength it is important to consider personal relationships. In addition, many studies of buyer-seller relationships include power, dependence and interdependence. These attributes have been traditionally emphasised by the proponents of resource-dependence and transaction cost theories (Izquiero and Cillan, 2004), but, nevertheless, are argued to be often overlooked in conceptual and empirical studies of buyer-seller relationships (Caniels and Gelderman, 2007). In particular, this is evident in the studies adopting a relationship marketing approach. For instance, in their influential paper Morgan and Hunt (1994) argue that “commitment and trust [are] central to successful relationship marketing, not power and its ability to ‘condition others’” (p.22). Izquiero and Cillan (2004) link such gaps to the lack of interaction between different theoretical approaches. This problem has already been mentioned in relation to different aspects of partnership investigation. Indeed, the integration of theoretical approaches for better understanding of buyer-seller partnerships is one of the goals of this research. Therefore, power, dependence and interdependence are considered for inclusion in the attributes of relationship strength.

#### *2.4.5.2.1. Power, dependence and interdependence*

Power has been included as one of the key attributes in the studies of relationships in supply channels (e.g. Frazier, 1983). It can be defined as the “ability to achieve intended effects or

goals” (Dwyer et al., 1987, p.17). Power has been argued by scholars to be generated from *authority* and *dependence* (Frazier, 1983). Authority stems out of the conditions of exchange, the nature of the industry and the position of a firm in the supply chain (Frazier, 1983). Authority can be translated as a firm’s right to impose certain conditions and behaviours on the other party (Frazier, 1983). Authority, however, does not guarantee an automatic influence on the counterparty, since in order to achieve this it needs to be used effectively (Kotter, 1977). Dependence of one firm is a potential source of power of the other, since the former needs to maintain relationships with the latter in order to achieve its goals (Heide and John, 1988). The proponents of RDT argue that dependence stems out of an organisation’s need for scarce resources that are controlled by others (Pfeffer and Salancik, 2003). Thus, dependence is determined by the importance of a resource for an organisation, the extent to which this resource allocation is controlled by the other party, and the availability of alternatives. Mere dependence on a firm, however, does not guarantee its power. According to Anderson and Narus (1990) it is the difference between the two parties’ dependencies on each other, conceptualised as *relative dependence*, which is the basis for power.

In buyer-seller relationships, dependence and power imbalances have been conceptualised as “the difference in the value that buyers and sellers attach to the relationship” (Caniels and Gelderman, 2007). The more independent party is assumed to have little need for the resources of the other party and to attach less value to a relationship, which allows it to achieve better outcomes (Befu, 1977). As the party in the possession of power might attempt to exploit it at the expense of the more dependent party, power is often seen negatively in buyer-seller relationship research (e.g. Geyskens et al., 1996), and it is assumed that the more dependent party would look for ways to increase its power and thus decrease its dependence

(Pfeffer and Salancik, 2003). For instance, the more dependent party can try to search for alternative partners, making specific investments in the relationship in an attempt to enhance the partner's status, or building relationships with other parties in the network in order to create indirect influence on the partner (Ganesan, 1994). Power as a separate concept rarely features in the studies of buyer-seller partnerships (see Table 2.5). This can be explained by the one-sided nature of the concept, which opposes the idea of a partnership. As has been discussed earlier, buyer-seller partnerships are associated with mutuality of partners' goals, which are achieved more on the basis of trust and commitment of both parties, rather than due to one side's influence over the other (e.g. Morgan and Hunt, 1994). Power is certainly not assumed to be absent in partnerships, but neither is it associated with conflicts of interests and unfavourable actions of the parties. Indeed, as argued by Fontenot and Wilson (1997, p.10), power in partnerships is exercised through "non-coercive behaviours".

Interestingly, dependence, which is an important source of power, features in buyer-seller partnership research quite often. For instance, dependence is one of the key constructs of relationship strength in the study by Golobic and Mentzer (2006). Dependence can be defined as the degree to which the counterparty provides "critical resources for which there are few alternative sources of supply" (Duffy, 2008, p.231). Differently from the early research on dependence in supply channels, which have focused on a firm's absolute dependence, partnership research considers both firms' dependencies, which has been conceptualised as *interdependence* (Geyskens et al., 1996). However, there is little *empirical evidence* on how dependence and interdependence feature in partnerships.



In particular, little is known about the *structure* of dependence in buyer-seller partnerships. There are two points of view regarding partnership in a situation of unbalanced dependence. On the one hand, if dependence is balanced it is possible for actors to develop trust, as they do not expect the other party to behave opportunistically. In this case, relationships are more cooperative, with cooperation being the result of a party's *willingness* to rely on the partner (Yilmaz, et al., 2005). However, if there is unbalanced dependence it is hard for organisations to engage in the development of cooperative relationships due to lower levels of trust (Krapfel et al., 1991). Therefore, the difference in firms' dependence on each other is claimed by several researchers to be detrimental for partnership development.

On the other hand, Hingley (2005) claims that parties who are in possession of less power might accept this state and still cooperate with their counterparties, as long as they can achieve their goals. According to Hingley (2005), cooperation and dependence asymmetry are not opposite poles. Indeed, one can argue that assuming cooperation and power imbalance is more realistic than assuming absolute parity. While the exercise of power possessed as a result of lesser dependence can lead to conflict between parties, it is not *necessarily* true that this imbalance will result in conflict since, again, the weaker players might accept the situation, while the stronger players will not necessarily exercise the possessed power (Frazier and Summers, 1984). Thus, according to Hingley (2005), partnerships can be developed under the situation of unbalanced dependence.

Interdependence is not the same as dependence. According to supply chain literature, interdependence is the degree of reciprocal dependence between the members of a supply chain (Frazier, 1983). As argued by Frazier (1983), it features mainly in a channel context,

where companies are linked to each other with the purpose of satisfying the final user. There is evidence that interdependence is considered as one of the key factors in determining the appropriateness of partnership development between the companies. The higher the overall interdependence, the more appropriate partnership development is (e.g. Yilmaz et al., 2005; Caniels and Gelderman, 2007). The attitude towards the effects of interdependence, however, varies between different authors. From the perspective of the power-dependence paradigm (Anderson and Narus, 1990), interdependence is argued to stimulate the emergence of trust, commitment and a “stewardship” type of behaviour (Yilmaz, et al., 2005). At the same time, Laaksonen et al. (2008) argue that relationships characterised by high interdependence are exposed to opportunistic behaviours, poor coordination and lack of reliability. However, these conclusions are mainly based on the assumptions of different theoretical perspectives, and empirical investigation is lacking.

As follows from the discussion above, interdependence determines the overall sum of dependencies of parties on each other, while dependence is of a relative nature and can be unequal between two parties. However, limited evidence is available on the structure of both attributes in partnerships. Whether buyer-seller partnerships can be formed only under the conditions of interdependence *and* dependence symmetry, and whether interdependence is seen as a positive or negative factor in partnerships, are open questions which are addressed in this research. Power as a separate concept is not addressed in this study for two reasons. First of all, inclusion of power would contemplate the investigation of authority, conflict and coercive behaviours, which, while being important for the study of less close relationship types, are not considered by the contemporary research as key components of partnerships. Secondly, power, as has been argued above, represents an outcome of relative dependencies

of the parties (Anderson and Narus, 1990). Therefore, by addressing the structure and balance of dependences in buyer-seller partnerships, the power of the actors is illuminated as well.

#### *2.4.5.2.2. Commitment*

Another concept long recognised as being central to relationships is commitment (e.g. Cook and Emerson, 1978). Moorman, et al. (1992) defined commitment as an “enduring desire to maintain valued relationships” (p.316), and Morgan and Hunt (1994, p.23) suggested that commitment involves “an exchange partner believing that an on-going relationship with another is so important as to warrant maximum efforts to maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely”. These definitions are related to the growth of the relationship approach to business and marketing (e.g. Berry and Parasuraman, 1991), according to which it is worthwhile to maintain old partners and to invest resources to do so, if the experience of dealing with them is positive and valued. The nature of commitment is long-term (e.g. Gundlach et al., 1995), since it develops over time; it does not exist implicitly in all types of buyer-seller relationships, as can be seen from relationship typologies outlined in the studies of, for instance, Rinehart et al., (2004) and Laing and Lian (2005). Only on the basis of mutual investment, and by expressing a desire to work further and develop the interaction, will commitment be present in a relationship. As mentioned above, partnerships are usually seen as long-term strategic relationships, and the closest out of non-ownership-based relationship types. Therefore, long-term commitment is argued to be one of their key attributes (e.g. Morgan and Hunt, 1994). Commitment, according to Gundlach et al. (1995), is

often viewed through complex, ambiguous and overlapping concepts. As a result, in order to conceptualise commitment it is important to understand what it is comprised of. Moreover, as there are significant differences between types of business relationships in terms of their structure, it is important to conceptualise commitment in relation to the investigated phenomenon – buyer-seller partnerships. There are two main types of commitment described in the literature: calculative or instrumental commitment and affective or attitudinal commitment (Gundlach et al., 1995; Geyskens, et al., 1996). “Affective” commitment arises due to the emotional aspect, a desire to continue relationships, while “calculative” commitment refers to the necessity for the parties to continue relationships. Affective (attitudinal) commitment is a “partisan, affective attachment to the goals and values of an organisation” (Gundlach et al., 1995, p.79). Calculative (instrumental) commitment is related to the parties’ desire to tie each other into relationships through inputs and investments in order to secure consistent future interaction under favourable terms. Such a need to maintain relationships can be explained through parties’ expectations of significant transaction costs if the relationship is terminated (Geyskens et al., 1996). Although different in nature, both types of commitment have been argued by Geyskens et al. (1996) to be affected by trust and dependence. The authors found empirical proof of a negative relationship between trust and calculative commitment, and a positive one between trust and affective commitment. For partnerships, which are conceptualised as relationships with high levels of trust, these findings imply that affective commitment is dominant. At the same time, the authors showed that in relationships characterised by high interdependence, both affective and calculative commitments are high. Indeed, high interdependence shows to both parties that the partner is putting effort into the relationships through investments and adaptations, which makes the interests of the parties converge (Kumar et al., 1995a, 1995b). Such behaviour creates

affective commitment. At the same time, it is assumed to be contrary to the parties' self-interests to terminate a highly interdependent relationship, since this can be too costly. Thus, calculative commitment is also high (Geyskens et al., 1996). In partnerships, which are characterised by high levels of interdependence, this would mean that both types of commitment are high. However, this contradicts the conclusion made earlier with regards to the effect of trust on commitment. Therefore, the structure of commitment in partnerships needs to be clarified. With regards to interdependence asymmetry, Geyskens et al. (1996) conclude that when this is high, the more dependent party expresses high calculative commitment, while the less dependent party expresses less. This point of view can be related to the earlier comment by Anderson and Narus (1990) that the more dependent party will invest more to maintain relationships, while the less dependent one will reduce its investments. The authors also hypothesised that interdependence asymmetry leads to decreased affective commitment for both parties. However, the hypothesis has not been supported since it was found that under the presence of high trust levels, the negative effects of interdependence asymmetry are offset.

It can be concluded from the discussion above that commitment is an important attribute of any relationship, and is tightly linked to other attributes of relationship strength. However, while the two types of commitment are likely to co-exist, it is not clear which one dominates in partnerships, and whether buyers and sellers demonstrate similarities in their structures of commitments.

#### 2.4.5.2.3. *Trust*

Trust is one of the most widely studied constructs of buyer-seller relationships (e.g. Moorman, et al., 1992; Morgan and Hunt, 1994; Walter et al., 2003). Trust has been argued to exist “when one party has confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p.23). The need for the existence of trust is caused by the presence of risk and uncertainty (Lane and Bachmann, 1996; Selnes 1998), and the transaction costs stemming from them (Ganesan, 1994). As argued by Mitchell (1995), risk exists inherently in business markets. There are two main ways to reduce risk in exchange activities in business markets (Canning and Hanmer-Lloyd, 2007): developing contracts, which could cover certain conditions of the environment and can involve monitoring the other party’s activities and developing trust-based relationships between them. Indeed, business markets are complex, while actors’ ability to create complete contracts is conditioned by their bounded rationality (Williamson, 1975). Therefore, parties are likely to come up with incomplete contracts, which do not eliminate the potential of opportunistic behaviour. The hazards of opportunism, however, can be reduced if there is trust between the parties (Ganesan, 1994). Trust, as argued by Laing and Lian (2005) (and based on Sako’s (1992) work<sup>6</sup>) “reduces the need to specify and monitor all possible contingencies through formal contract mechanisms” (p.115). As seen in the earlier discussion on the place of partnership in relationships, the authors view trust as a discriminating factor in their relationship typology. In connection with this, it can be argued that the “closer” and the more cooperative relationships between parties are, the less they will be governed by contractual agreement, and the greater the role played by trust will be.

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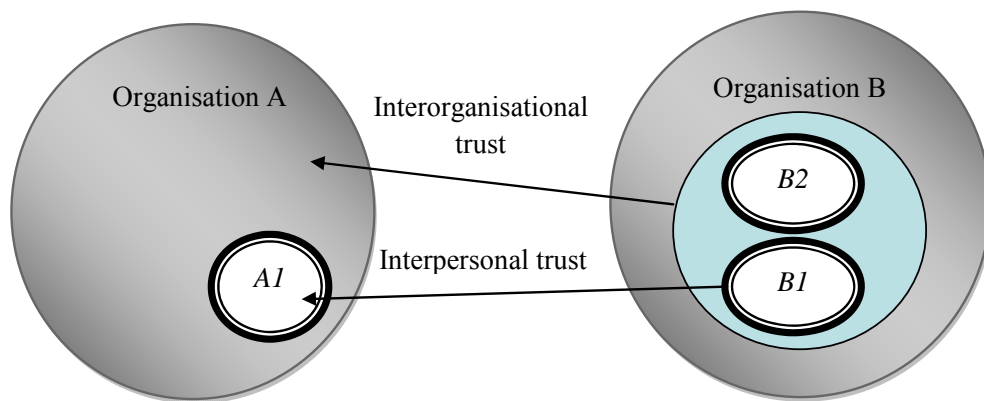
<sup>6</sup> “Trust between trading partners has a role in increasing predictability of mutual behaviour through the honouring of commitments made, while it facilitates dealing with unforeseen contingencies in a mutually accepted manner” (Sako, 1992, p.37).

Indeed, trust has been long recognised as a necessary requirement of sound business relationships (Hakansson, et al., 2004). In research on partnership success, more successful partnerships are argued to be characterised by a higher level of trust than those partnerships which are less successful (Mohr and Spekman, 1994). However, there are several points which remain unclear with regards to trust in buyer-seller partnerships.

First of all, the attitudes of buyers and sellers towards trust do not appear to have been compared. It seems that it is generally assumed that both sides of a partnership have the same experience and evaluate it similarly. However, there are studies which demonstrate that the motives of buyers and sellers for engagement in partnerships are often different (e.g. Tuten and Urban, 2001). Therefore, trust developed by buyers and sellers might also differ in nature. Thus, it is important to see whether buyers and sellers “trust” in a similar manner, or if there are differences. In other words, it is necessary to investigate what types of trust the parties are referring to when they speak about it, as several types of trust are discussed in the academic literature. Sako (1992) describes three types of trust: contractual, competence and goodwill. Contractual trust is connected to the ability of the other party to carry out its duties, as specified in written and oral agreements. Competence trust relates to the ability of the other party to produce a quality service. This type of trust implies that one party recognises the competencies of the other as sufficient to perform the task. Finally, goodwill trust is a “trust in open commitment” (Sako, 1992, p.38), meaning that parties expect no opportunism in the aspects not covered by their contract. Sako (1992) states that all three types of trust exist in all buyer-seller relationships, however the relative importance of each type can vary in different relationship types. In connection with partnerships, it is usually assumed that trust is important, however it is not clear what types of trust are considered.

The types of trust outlined above are related to the trust existing between organisations. However, as stated by Laaksonen et al. (2008) trust originally emerged at the interpersonal level. According to Zaheer et al. (1998), interorganisational trust is the trust of the members of one organisation towards the other, while interpersonal trust is trust between an agent in one organisation and an agent in the other.

**Figure 2.1. The types of trust**



*Source: Zaheer et al. (1998).*

Zaheer et al. (1998) argue that both interpersonal and interorganisational trust decrease the costs of the negotiation process and the level of conflict. Some authors argue that the concept of trust itself is more applicable to interpersonal relationships, as trust is argued to be linked to sentiments, emotions and beliefs (Mouzaz, et al., 2007). It can be concluded that the two types of trust, interpersonal and interorganisational, may exist between business parties. While it was argued by Ploetner and Ehret (2006) that partnerships rely on the web of personal relationships, it is important to understand whether personal trust is an integral part of a business partnership from the perspectives of both buyers and sellers.



The discussion in the sections above demonstrated that trust is recognised as an important element of buyer-seller partnerships. However, there is no clear evidence on how, exactly, trust features in partnerships. Therefore, this research aims to identify the types of trust and the way trust is demonstrated by actors in partnerships.

#### *2.4.5.2.4. Personal relationships*

As can be seen from the discussion of trust and commitment, personal relationships seem to be an important component of both. Indeed, in the empirical research carried out by Lemke et al. (2003), personal relationships were found to be the most agreed-upon (by respondents) factor which distinguished partnerships from other relationship types. Even stronger is the recognition of personal relationships in services. Lack of “concreteness” of services is argued by Crosby et al. (1990) to be one of the reasons for the importance of personal interaction with customers; for example, through personal selling and key account management. Indeed, experienced service is a result of the application of skills and knowledge of both companies, and a dialogue during which companies uncover each other’s needs, problems and issues (Lusch et al., 2008). For example, Lian and Laing (2007) argue that “the development of organizational relationships is frequently perceived to be anchored in the personal relationships that exist between staff in the respective organizations, and in turn such personal relationships are seen to be key influences on the form and nature of the purchasing process” (Lian and Laing, 2007, p.710).

Personal relationships feature in a few studies of buyer-seller partnerships, and are generally viewed as a construct that goes beyond the main business of organisations, but strengthens business relationships (Lemke et al., 2003; Ploetner and Ehret, 2006). Nevertheless, the exact way in which personal and organisational relationships are connected in partnerships has not yet been demonstrated. This is, however, applicable to the research of both business services and buyer-seller partnerships. The two areas are brought together only when relationship typologies are concerned, which means that there is not enough depth to consider the details of each relationship. Finally, as discussed above, personal relationships, or *guanxi*, is the key element of business in China (Leung et al., 1996; Fan, 2002). However, while the understanding of *guanxi* stems out of general views and knowledge on Chinese culture and society and the way business is run between Chinese companies, the extant literature actually says little about how *guanxi* is understood in the context of modern business service providers and customers.

Overall, this study examines the nature of buyer-seller partnerships in business services and, as part of this, seeks to understand the role of personal relationships in them, specifically by addressing the importance of personal relationships in partnerships, the link between personal and organisational relationships, and the effect of context on the importance of personal relationships.

## **2.5. Conclusion and theoretical framework for the research**

The main aims of the literature review were to introduce the field and subject of the research, to discuss existing knowledge and perspectives on relationships and buyer-seller partnerships, and to identify the areas for further research, which form the objectives and resulting framework of this study. The nature of relationships in business markets was addressed as a starting point for discussing partnerships, followed by the place of partnerships in relationships. Motives and conditions, together with the context of investigation and partnership attributes, were chosen as central for this research, and analysed accordingly. As a result of the discussion of previous research, a number of gaps are revealed (see Table 2.7 below).

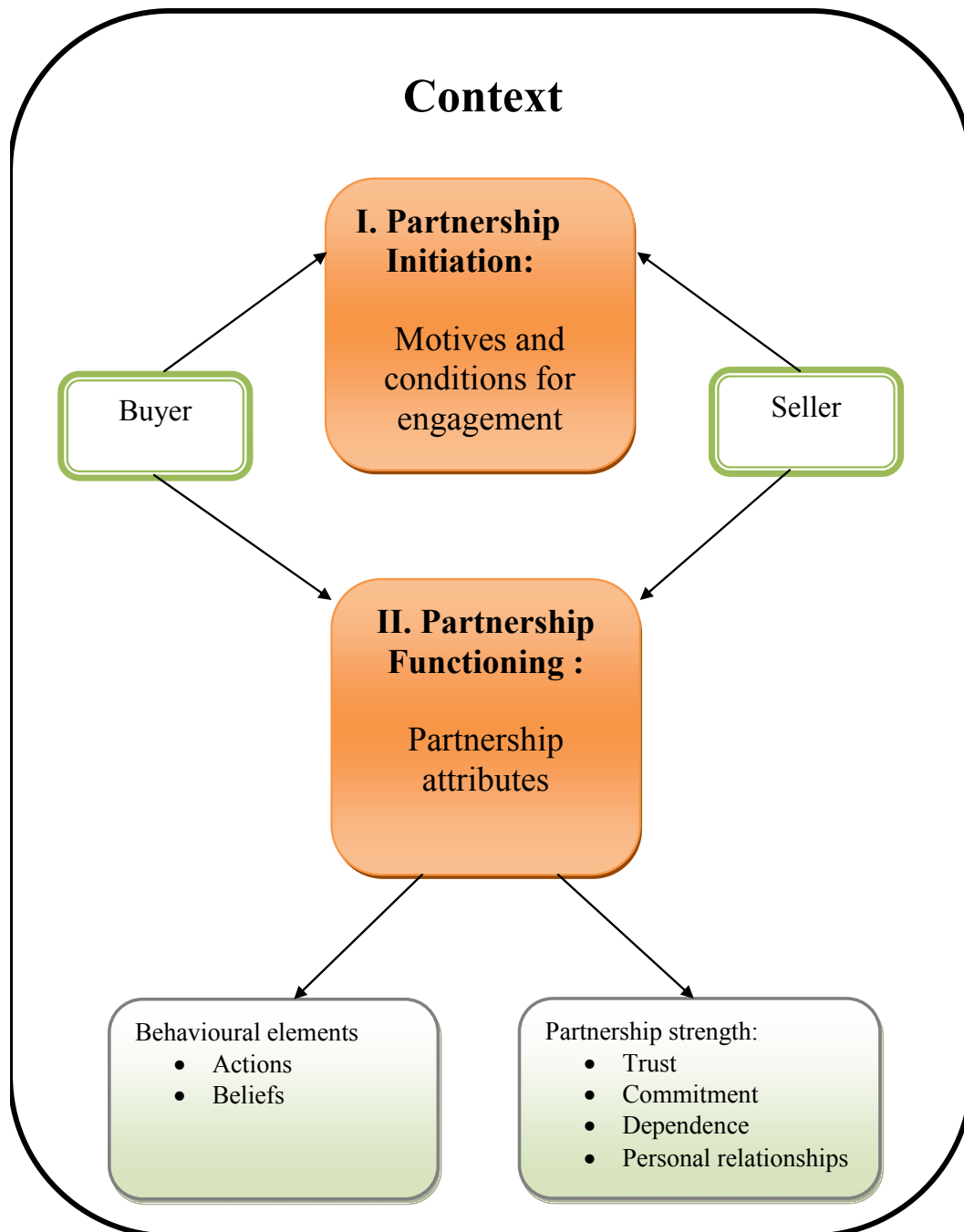
**Table 2.7. Gaps in partnership research**

Area	Problem
Approach to partnership research	The insights on partnerships are rarely based on multidimensional approaches and are often formulated on the basis of dimensions that are specific to a particular underlying theory. For instance, a more transactional approach focuses on the economic motives and economic actions of buyers and sellers, while a more relational one focuses on the motive of achieving mutual benefits and the attributes of relationship strength. Such approaches provide only partial understanding of partnerships. Therefore, it is important to draw on multiple theories and address multiple dimensions in order to obtain a clearer picture of a buyer-seller partnership nature.
Definition	There is no clear definition of buyer-seller partnerships. While a definition on the basis of accumulated knowledge has been proposed, it is important to derive a partnership definition from empirical studies <sup>7</sup> .
Partnership initiation	<p><i>Motives and conditions</i></p> <p>While the motives and conditions for engaging in relationships generally have been defined, it is not clear what these are for either buyers or sellers engaging in partnerships. It is unclear whether actors' engagement in partnerships is motivated by one particular factor or a combination.</p> <p><i>Context</i></p> <p>Contexts in which partnerships have been researched mainly include Western industrial goods markets, and little empirical evidence is provided from service industries and non-Western contexts. Little is known about the influence of the specificities of the Chinese business environment on buyer-seller partnership initiation.</p>
Partnership Functioning	<p><i>Actions and beliefs</i></p> <p>It is not clear which actions are undertaken by each side in partnerships, or what the typical beliefs of partners are.</p> <p><i>Relationship strength</i></p> <ul style="list-style-type: none"> <li>• It is not clear how dependence, commitment and trust feature in partnerships, or what the specificities of each are.</li> <li>• Apart from recognition of the importance of personal relationships, it is not clear how they feature in partnerships or what their role is relative to the role of organisational relationships in the way partnerships function.</li> </ul>

<sup>7</sup> The researcher realises that the specificity of the research context is likely to limit the universal applicability of the resulting definition. Nevertheless, in the pronounced absence of empirically derived definitions of a buyer-seller partnership, the provision of such a definition could help to advance the knowledge on partnerships and provide a path for further testing and research.

Consequently, there are several areas which need to be investigated in relation to buyer-seller partnerships. These areas form the framework and the objectives of the empirical research. The objectives of the empirical research are formulated in the Methodology chapter, while the illustrative framework is presented below.

**Figure 2.2. The framework for research on buyer-seller partnerships in the industrial services market**



There are several key aspects of the framework. First of all, it explicitly includes both buyers and sellers, and aims to investigate their views with regards to each building block of the framework. This addresses the lack of empirical research from a dyadic perspective, and aims to provide a better understanding of buyer-seller partnerships. Secondly, motives, conditions and attributes are the key building blocks of the framework, corresponding to partnership initiation and functioning, and represent the focus of the study. Both are studied from a dyadic perspective. Finally, the framework is based on the integration of different theoretical approaches and dimensions, discussed throughout the literature review, for investigating motives, conditions and attributes in buyer-seller partnerships.

Three key attribute groups are selected for this particular investigation: behavioural elements, and partnership strength. While one can argue that these groups are not exhaustive, examination of existing literature suggests that attributes contained in each of these groups are key to explaining the distinctive nature of partnerships. Therefore, this study takes into account previously developed knowledge and aims to take a further step by investigating how these attributes feature in buyer-seller partnerships in the shipping industry.

The action-belief approach developed by Donaldson and O'Toole (2000) has been chosen to examine companies' behaviour. While one can argue that this approach is not widely utilised, it was the only approach found in the literature which integrates several theoretical approaches and offers some logical conceptualisation of relationship attributes, instead of merely providing a disjointed list. This approach makes it possible to keep the research in the frame of relationship attributes, while at the same time providing freedom for identification of new attributes, and taking into account both economic and social factors. In addition, the

action-belief approach sheds light on the roles of *both* parties in the same partnership, which is missing from the extant literature. It is important to see, first of all, the range of possible actions and beliefs naturally arising for buyers and sellers in partnerships, and secondly to find out whether there are any similarities and differences between these.

Regarding context, it seems that the list of factors to consider can be very long, and therefore several particular elements were selected. The first of these is industry characteristics, as this research is into the business-to-business service industry, which has not yet been researched much from the perspective of buyer-seller partnerships. The second is the cultural element, as the context of the research is China. Even though the body of literature and the amount of research into Eastern cultures and contexts is growing, the totality of existing research is still relatively small in comparison to that relating to Western contexts.

Studying all the aspects mentioned above is intended to provide a better understanding of the phenomenon of partnerships. It is assumed that through addressing key attributes of partnerships by obtaining empirical data, which is called for by so many authors (e.g. Rinehart et al., 2004; Lemke et al., 2003; Duffy, 2008), this can be achieved.

### **2.5.1. Application of the framework**

The framework is built with the purpose of specifying the aspects which need to be addressed when studying a focal company's relationships with its customers. The aim is to see how these key aspects appear in a range of relationships identified as direct and indirect



partnerships by the focal company. On the basis of this, the study aims to provide a clearer understanding of partnerships.

The key concepts and aspects addressed are presented as a conceptual framework, which is, according to Miles and Huberman (1994), a graphical or narrative explanation of the main issues studied. This framework conceptualises the issues discussed earlier. While some conceptual frameworks tend to clearly specify the relationships or connections which are presumed, other frameworks are created to demonstrate key constructs which guide the study (Perks, 2001). Similarly, this framework demonstrates some of the basic connections between the constructs and the main directions of the research. The relationships between the constructs are not presumed, which forms the exploratory focus of this study. Having addressed previously developed knowledge and identified gaps in the studies on partnerships, the methodology of the research will now be discussed.

## CHAPTER 3

### 3. Research methodology

#### **3.1. Introduction**

This chapter introduces the research objectives (RO) and research questions (RQ), followed by the research design and collection and analysis of data. Through this discussion, justification for utilising a qualitative approach and a single case study is provided, the use of various research methods is analysed, and the process of data analysis through computer-aided software NVivo 8 is explained. The chapter is then concluded by giving consideration to research evaluation and ethics.

#### **3.2. Research objectives and research questions**

Chapter 2 reviewed the literature on buyer-seller partnerships and specified the areas that are to be researched within partnership initiation and partnership functioning. Following the literature review, the initial objectives of the research have evolved. The original RO1 was *“To explore and understand the conditions for initiation of buyer-seller partnerships and the motives of the parties for engagement in them”*, as stated in Table 1.2. Based on the literature review, it has been recognised that the motives for sellers’ engagement in partnerships are studied less than those of buyers (e.g. Lettice et al., 2010) and the motives of the parties are rarely compared. Consequently, the RO1 has been reformulated so as to specify that the

motives of *both* parties are to be researched and compared in this study, and is presented as follows:

**RO1:** To identify and compare the motives of buyers and sellers for engaging in partnerships, and the conditions necessary for this.

The literature review highlighted the specificities of the Chinese shipping industry (e.g. government influence, persistence of *guanxi* in business dealings) and confirmed the importance of investigating the effects of context on partnership initiation. Therefore, RO2 has remained unchanged.

The original RO3 was “*To explore and understand the way buyer-seller partnerships function through addressing their distinctive attributes*”, as stated in Table 1.2. Following the literature review, it is argued that partnership functioning is comprised of two key areas: actors’ behaviours (actions and beliefs) in partnerships, and the resulting strength of partnerships (dependence, commitment, trust and personal relationships). Based on the identification of these areas, the rather generally formulated initial RO3 has been turned into three objectives, each focusing more specifically on the particular areas of partnership functioning. Therefore, the new RO3, RO4 and RO5 have been formulated as follows:

**RO3:** To analyse and to compare the actions and beliefs of buyers and sellers in their partnerships.

**RO4:** To analyse the structure and specificities of dependence, commitment and trust in partnerships.

**RO5:** To investigate the role of personal relationships in partnerships.

In addition to the above-mentioned aspects, the literature review demonstrated that empirically derived definitions of partnerships are rare. Therefore, the objective of providing an empirical definition of partnerships has been added and is formulated as follows:

**RO6:** To provide an empirically based definition of partnerships on the basis of the insights obtained into the nature of buyer-seller partnerships in the Chinese shipping industry.

Based on the revisions to the originally set objectives, explained above, the new objectives of the empirical research are presented in Table 3.1.

**Table 3.1. The objectives of the empirical research**

<b>№</b>	<b>Objective of the research</b>
RO1	To identify and compare the motives of buyers and sellers for engaging in partnerships, and the conditions necessary for this.
RO2	To understand the effects of Chinese context on partnerships initiation.
RO3	To analyse and to compare the actions and beliefs of buyers and sellers in their partnerships.
RO4	To analyse the structure and specificities of dependence, commitment and trust in partnerships.
RO5	To investigate the role of personal relationships in partnerships.
RO6	To provide an empirically based definition of partnerships on the basis of the insights obtained into the nature of buyer-seller partnerships in the Chinese shipping industry.

Zolkiewski (1999, p. 234) argues that, “the research objectives are the precursor to the research questions”. Formulating research questions is an important step in the research since it specifies the manner in which research objectives are addressed, and affects the design of the study (Yin, 2009). According to Marshal and Rossman (1995) the objectives of the research can be exploratory, explanatory, descriptive and predictive in nature. Objectives of an exploratory nature aim at investigating phenomena that is little understood and identifying important aspects of it, explanatory objectives seek to explain the causes of the phenomena, descriptive ones – to document the phenomenon of interest and predictive objectives aim at forecasting the outcomes of the phenomena (Marshal and Rossman, 1995). Depending on the nature of the objectives, the research questions are formulated in the forms of “who”, “what”, “where”, “how” and “why” (Yin, 2009). As can be seen from the Table 3.1 the objectives of this study aim to advance understanding of buyer-seller partnerships, and in doing so, to “identify”, “investigate”, “analyse” and document various aspects of them, rather than provide an explanation of the links and relationships between these aspects or forecast their outcomes. Thus, the objectives of this research are of exploratory and descriptive nature. According to Yin (2009) the research questions in exploratory and descriptive studies take mainly the forms of “what”, “why” and “how”. In this study research questions are formulated in a similar manner as shown in Table 3.2.

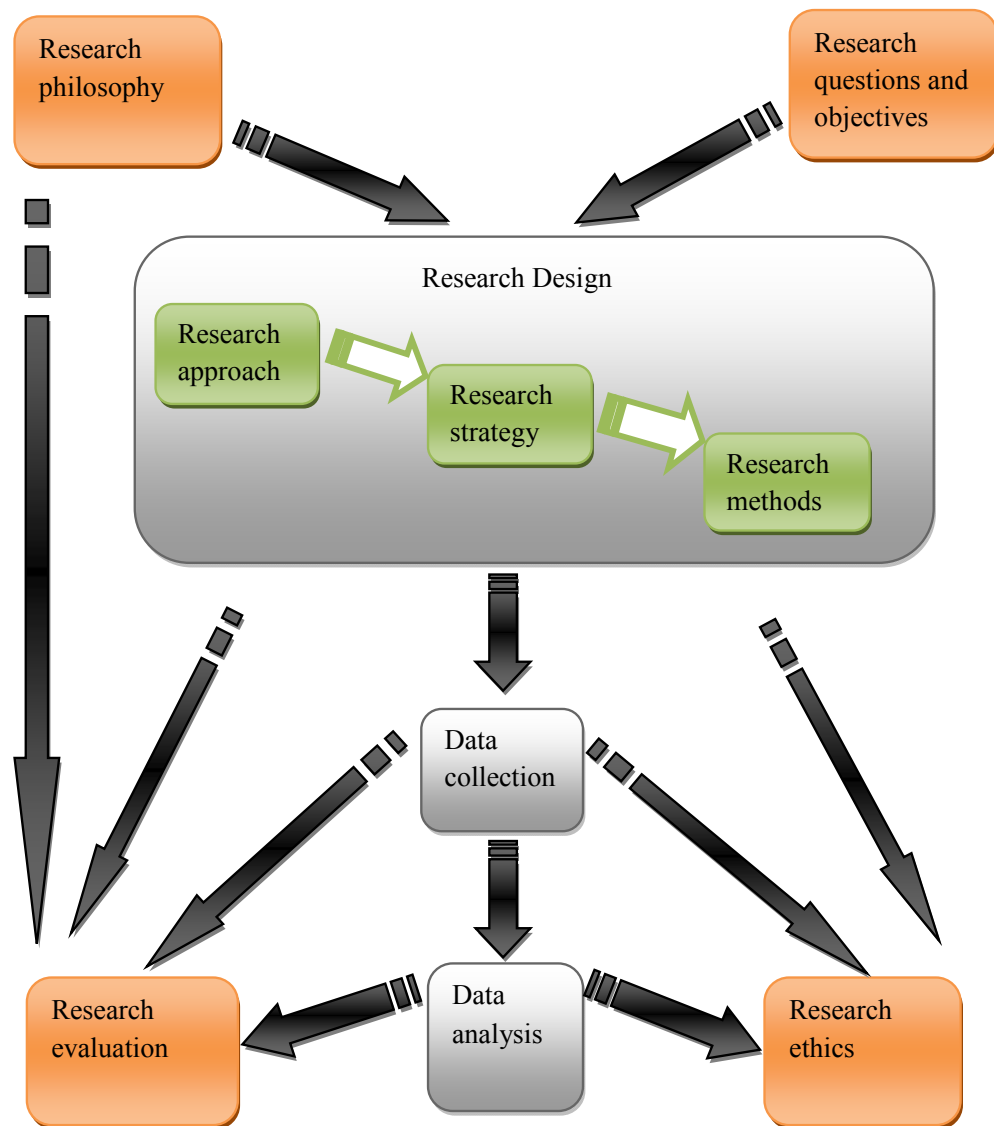
**Table 3.2. Research questions**

<b>Issue studied</b>	<b>Research question</b>
<i>Partnership initiation: motives and conditions for engagement in partnerships; managerial considerations</i>	<b>RQ1: Why do buyers and sellers engage in partnerships?</b> <ul style="list-style-type: none"><li>• What are their motives?</li><li>• What are the conditions for engagement in a partnership?</li></ul>
<i>Partnership initiation: The role of context</i>	<b>RQ2: What is the role of context in the initiation of buyer-seller partnerships?</b>
<i>Partnership functioning: behaviour in partnerships</i>	<b>RQ3: How do buyers and sellers behave in partnerships?</b> <ul style="list-style-type: none"><li>• What are the actions and beliefs of buyers and sellers in partnerships?</li><li>• What are the differences and similarities in the behaviour of buyers and sellers?</li></ul>
<i>Partnership functioning: strength of buyer-seller partnerships</i>	<b>RQ4: What is the structure of dependence, commitment and trust in partnerships?</b>  <b>RQ5: What is the role of personal relationships in partnerships?</b>
<i>Partnership definition</i>	<b>RQ6: How can buyer-seller partnerships be defined?</b>

RQ1 seeks to uncover and compare the rationales' of buyers and sellers for partnership initiation. RQ2 seeks to reveal contextual factors of the Chinese environment, affecting partnership initiation. RQ3, RQ4 and RQ5 focus on the areas of partnership functioning and aim to uncover partnership-specific actions and beliefs of actors and the specifics of the elements of relationship strength in partnerships. RQ6 addresses RO6 and seeks to explore how actors see partnerships and what do they understand under it.

Having specified the research objectives and questions, the next step is to choose the appropriate research strategies through which these can be achieved. The research methodology and the choice of methods need to be guided by a research approach, which can be qualitative, quantitative or mixed. The approach undertaken is, in turn, influenced by the content of the research objectives and questions, as well as the underlying research philosophy (Marshall and Rossman, 1995). The design of the research affects the way data is collected and analysed. The sections below address all the aforementioned aspects in order to justify the choice of methodology. Finally, the validity and reliability of the research are addressed, together with ethical considerations. The “mind map” below demonstrates the logic of the methodology development. The arrows represent the order of the sections in the chapter and show how the elements of the methodology influence each other.

**Figure 3.1. ‘Mind map’ of the methodology development**





### **3.3. Research philosophy: epistemology, ontology and methodology**

Most academic works focus on a justification of the utilisation of qualitative or quantitative approaches and strategies for carrying out the study. However, Guba and Lincoln (1998) argue that “questions of method are secondary to questions of paradigm”, which is defined as a “worldview that guides the investigator in ontologically and epistemologically fundamental ways” (Guba and Lincoln, cited in Denzin and Lincoln, 1998, p.195). At the same time, Easterby-Smith (1991, p.21) believes that the underlying philosophy is of primary importance, since it assists in the choice of research design:

1. “It helps to clarify the research design in terms of the type and sources of evidence collected and the means of its interpretation.
2. It helps researchers to find out which designs will work and which will not.
3. It helps researchers to identify designs which might be outside of their prior experiences”.

There are several philosophical traditions or paradigms which are used to derive the research methods. Blanch and Durrheim (1999) select three paradigms: positivist, interpretive and constructionist, while other authors specify paradigms like critical realism and feminism (Denzin and Lincoln, 1998). Nevertheless, the majority of researchers concentrate on positivism and interpretivism as the main philosophical positions in social sciences.

Each of the research paradigms are comprised of ontology, epistemology and methodology. These aspects formulate the basis of academic enquiry. Ontology is concerned with what constitutes reality and what the world is like. Epistemology is the theory of knowledge. It is

about how we get to know the world. If ontology asks “what is the reality?”, epistemology asks “how do we get to know the reality?” and explores what constitutes knowledge (Denzin and Lincoln, 1998). Methodology focuses on the process of acquiring knowledge. Therefore, a researcher should first consider the nature of the reality as a wider platform for academic inquiry, then decide what knowledge is, and finally come up with ways of obtaining the knowledge.

Regarding the nature of reality, supporters of positivism argue that social sciences are similar to natural sciences and can be studied using the same methods. The ontological perspective of positivism is that reality exists, is formed independently of social actors, and can be observed. The epistemology of positivism assumes that knowledge is significant only if it can be observed, and that, if so, it is objective. This relies on the independence of the researcher and the studied object; it is assumed that researchers do not intervene in their research. The methodology accepted within positivism utilises mainly deductive strategies used in natural sciences, such as experiments and hypothesis testing. As knowledge is assumed to be objective and unbiased, it is supposed to be quantified. Therefore, structured quantitative methods are favoured by positivists.

Interpretivism opposes positivism, viewing social sciences as different to natural sciences. Interpretivists argue that while the goal of natural sciences is to provide a scientific explanation, the aim of social sciences is to obtain an understanding of a phenomenon (Schwandt, cited in Denzin and Lincoln, 1998, p.223). The ontological perspective of interpretivists is that reality exists but cannot always be observed as it is formed through the interpretations of social actors. The common epistemological perspective of interpretivists,

therefore, is that knowledge is subjective. Interpretive research focuses on the meanings of events and objects to social actors, and on how their perceptions are formed. Therefore, interpretivists assume that there is no unique or standardised meaning, as it changes from case to case (Locke, 2000). Methodologies applied by interpretivists are mainly qualitative and are subject to interpretation. In contrast to the positivist approach, interpretivists believe that researchers should engage in their research to get an understanding and to better interpret the observed phenomena (Locke, 2000). Table 3.3 summarises this discussion.

**Table 3.3. Research paradigms**

	<b>Ontology</b>	<b>Epistemology</b>	<b>Methodology</b>
<i>Positivism</i>	External reality based on laws	Objective; observer and observed object are independent	Quantitative; experiments; hypothesis testing
<i>Interpretivism</i>	Internal reality	Subjective	Qualitative; based on interpretations

*Source: Blanch and Durrheim (1999)*

However, positivism and interpretivism are not necessarily adopted in their pure forms in the contemporary research. The positions of interpretivism discussed above have been largely associated with *phenomenology* – “a method without techniques”, a research practice that is highly dominated by the epistemological assumptions of subjectivity of the reality and methodologies based on hermeneutics and lacking instrumental analysis (Miles and Huberman, 1994, p.2). However, as argued by Miles and Huberman (1994), interpretivist practices have been changing as a result of continuous epistemological shifts. There is a

growing agreement among researchers that epistemological arguments are often too abstract and disconnected from real research practices. Indeed, interpretively oriented researchers increasingly adopt predesigned conceptual frameworks and more structured approaches to data collection and analysis (Miles and Huberman, 1994). The rationale behind such an approach is that even though the knowledge is socially constructed and subjective, it is not beyond understanding and can be translated into theory. Theorisation is, however, hard to achieve in the absence of somewhat formalised techniques, which, while not being highly structured, could make it possible to “account for events, rather than simply to document their sequence” (Miles and Huberman, 1994, p.4). Therefore, the aspiration for building coherent and trustworthy explanations drives researchers to adopt mixed epistemologies. Indeed, Miles and Huberman (1994) opt for a more structured interpretivist approach, which combines phenomenological meanings and positivistic practices.

Both positivism and interpretivism have been adopted in extant research on buyer-seller partnerships. However, the majority of studies are interested in establishing a causal link between particular sets of variables related to partnerships. For instance, Mohr and Spekman (1994) sought to understand the effect of communication frequency on partnerships’ success. Such an inquiry is usually addressed through hypothesis testing, where the primary concern is the objectivity of the results and thus there is minimal involvement from the researcher. This, however, allows for only a partial understanding of buyer-seller partnerships, as the attitudes, experiences and interpretations of actors in connection to particular variables are not addressed. Indeed, the number of studies aimed at understanding the meaning of actors’ behaviour and experiences is rather limited. Therefore, different authors, such as Tuten and Urban (2001), have stressed the importance of accumulating a “rich database of open-ended

responses to questions about partnering” (p.152) in order to provide in-depth knowledge on this type of relationship.

Equally, this research is interested in the *understanding* of buyer-seller partnerships’ initiation and functioning and is guided by objectives which are of exploratory and descriptive rather than explanatory nature. Indeed, partnerships’ initiation and functioning are the result of actors’ interactions, their beliefs about themselves and their partner, and reflections on each other’s actions. The managers who are involved in these processes are those who accumulate experience, make decisions, undertake actions and develop attitudes. As a result, partnerships between organisations are, to a large extent, shaped through interactions between people. The implication of this idea is that the perceptions and understandings of social actors cannot be ignored, given the objectives of this particular investigation. At the same time, following Miles and Huberman (1994) the researcher believes that in order to provide meaningful and thorough evidence on these perceptions and understandings, the research approach, from preparation for data collection to data analysis, should, to some degree, be structured rather than purely intuitive. Indeed, this research adopts a predesigned conceptual framework, which is based on the underlying theory discussed in the literature review, and the objectives of the study, which are rather structured and are focused around particular, pre-specified aspects of partnerships. In addition, the methods of data collection and the techniques of data analysis discussed later in the chapter reflect an aspiration for both rationality and flexibility. With these points in mind, it can be concluded that a certain mix between interpretivism and positivism, which can be seen as a more structured interpretivism, reflects the nature of the enquiry and is believed to be most appropriate for the development of the research design. Indeed, according to Miles and Huberman (1994), contemporary research takes place in a

“partially explored realm far removed from canonical sterility” (p.5). A mix of paradigms allows the attitude of the managers involved in initiation and functioning of partnerships to be addressed, and enables researcher-participant interaction, which facilitates better understanding of the observed phenomenon, and, at the same time, accounts for the trustworthiness of the results.

### **3.4. Research design: qualitative approach**

Even though a quantitative approach is argued to be chosen most often by positivists, and a qualitative approach by interpretivists, there is an opinion<sup>8</sup> that both can be applied under either philosophical paradigm. The choice between a qualitative, quantitative or a mixed approach is determined by several factors, which can be split into two groups: the nature of enquiry and the researcher’s world-view. The factors under these groups can be found in the works of Yin (2009), Creswell (1994), Marshal and Rossman (1995) and Ghauri and Gronhaug (2002). Ghauri and Gronhaug (2002) state that the chosen method is a reflection of the chosen knowledge perspective, while according to Marshal and Rossman (1995) the chosen method should contribute to understanding theoretical issues, which are researched, and be informed by the purposes of study (exploratory, explanatory, descriptive or predictive). The authors argue that the qualitative approach is the most appropriate for exploratory and descriptive studies, which take contextual setting into account and search for a deeper understanding of a phenomenon. At the same time, Creswell (1994) argues that the chosen approach should take into account the preferences of the audience to whom the research is presented, and reflect the researcher’s world-view. Additionally, he argues that quantitative

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<sup>8</sup> J. Child, CIBOR seminars 2008-2010.

studies are more suitable for areas where a significant theoretical basis already exists, are guided by clear rules and are presented in a more technical style of writing. The qualitative approach is suitable for areas where only limited theory has been built, relies on more flexible rules of research and adopts a more literary style of writing (Creswell, 1994). On the basis of the outlined criteria, a decision is made regarding the selected approach for this study.

The audience to which this research is addressed is comprised of academics working and carrying out research in the areas of interorganisational relationships, and specifically buyer-seller relationships. Both qualitative and quantitative approaches have been adopted to address such relationships. Therefore, it is believed that the judgement of the audience will be related to the appropriateness of the strategy chosen for the investigation of a particular phenomenon in light of the explanations provided.

As previously argued, partnerships have been under-researched, and a substantial theoretical base has not yet been developed. There has been relatively little in-depth research embracing the multiple dimensions of partnerships. In addition, the effects of the specificities of non-Western contexts on partnerships' initiation have hardly been studied. Therefore, this research aims to extend the existing literature through addressing the under-researched aspects of buyer-seller partnerships' initiation and functioning<sup>9</sup> (Marshall and Rossman, 1995). Such an enquiry is concerned with the study of actors' behaviours in communicating, negotiating and collaborating, and with the attitudes developed by actors as a result of these processes. To study the experiences of buyers and sellers, and to grasp the rationale underlying their decisions and behaviour in partnerships requires a research approach which could provide

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<sup>9</sup> As has been explained in the preceding sections, in this research partnership initiation is seen as comprised of actors' motives and conditions, while partnership functioning is comprised of actions, beliefs and the elements of relationship strength (trust, commitment, dependence and personal relationships).

“thick descriptions” (Geertz, 1973, p.5) and the ground for a thorough analysis and understanding. Such an approach would be different from those employed by partnership studies which tend to measure various partnerships’ attributes. Indeed, all the objectives of the study have been argued to target exploring and documenting various aspects of buyer-seller partnerships, rather than measuring their various aspects (Marshall and Rossman, 1995). Based on the arguments of Marshall and Rossman (1995) and Creswell (1994) provided earlier, it can be concluded that from the perspective of the nature of the research objectives as well as the potential to address investigated issues, qualitative research is the most appropriate. In addition, the context of the research is relatively new. The research takes place in China, which represents Eastern culture. Although Western business mentality has been widely addressed in the academic research, Eastern ways of doing business, as well as the attitudes and perceptions of managers, have not been that thoroughly investigated. China, as the fastest-growing economy on the one hand, and one of the oldest cultures on the other, represents a fruitful field for the qualitative research. In addition, the container industry is one of the fastest-growing industries in the world economy. This industry is therefore an interesting example of a business market in which research has not yet been undertaken.

Concerning the knowledge perspective, which reflects the view of the researcher, the preferences of the researcher, as mentioned in the previous section, are in line with a mix between positivism and interpretivism. It seems to the researcher that, while it is hardly possible to *objectively measure* the understandings and interpretations of actors, which are inherently subjective, it is possible to account for a certain degree of structure when addressing them. This could increase the “thoroughness and explicitness” of the study results (Miles and Huberman, 1994, p.5). Indeed, on the one hand the conceptual framework is



informative; it neither presumes relationships between the constructs, nor strictly limits the components of them, creating the space for uncovering components and processes and providing insights, rather than testing the relationships between constructs (Easterby-Smith, 1991). On the other hand, the framework is predesigned, based on the underlying theory outlined in the literature review and the objectives of the study. This can arguably allow for maintaining the focus of the research and keeping the investigation in line with the specified objectives.

Based on the analysis above, it can be concluded that the objectives of the research and the world-view of the researcher are more in line with the qualitative, rather than quantitative, approach. It can be also argued that since qualitative studies are, by their nature, able to provide “thick” explanations, they are capable of reaching a higher level of validity (Tse, 2009). In this particular study, a higher degree of validity is achieved through employing triangulation techniques. However, in line with the mixed epistemological position adopted in this research and the research guidelines provided by Miles and Huberman (1995), this study adopts a more structured qualitative approach than the studies following the phenomenological position, as will be seen in the descriptions of the methods of data collection and analysis discussed below.

#### **3.4.1. Research design: the strategy**

Case studies, experiments, surveys, archival analysis and histories are suggested by Yin (2009) as the main research strategies, and are chosen depending on the type of research

question, the degree of control the researcher has over the studied events, and the degree of focus on contemporary or past events. In addition, Yin (2009) mentions the importance of considering feasibility of a particular strategy with regards to the time it can take. As an extension of Yin's approach, Marshal and Rossman (1995) add field studies and ethnographies as research strategies. Table 3.4 below shows the way in which Marshal and Rossman (1995) propose matching the research strategy with research purposes and questions.

**Table 3.4. Matching research questions with research strategy**

Purpose of the study	Research question	Research strategy	Examples of data collection techniques
<u>Exploratory</u> - To investigate little-understood phenomena - To identify/discover important variables to generate hypotheses for further research	What is happening in this social programme? What are the salient themes, patterns and categories in participants' meaning structures? How are these patterns linked with one another?	Case study Field study	Participant observation In-depth interviewing Elite interviewing
<u>Explanatory</u> - To explain the forces causing the phenomenon in question - To identify the plausible causal networks shaping the phenomenon	What events, beliefs, attitudes and policies are shaping this phenomenon? How do these forces interact to result in the phenomenon?	Multi-suite case study History Field study Ethnography	Participant observation In-depth interviewing Survey questionnaire Document analysis
<u>Descriptive</u> - To document the phenomenon of interest	What are the salient behaviours, events, beliefs, attitudes, structures and processes occurring in this phenomenon?	Field study Case study Ethnography	Participant observation In-depth interviewing Document analysis Unobtrusive measures Survey questionnaire
<u>Predictive</u> - To predict the outcomes of the phenomenon - To forecast the events and behaviours resulting from the phenomenon	What will occur as a result of this phenomenon? Who will be affected? In what way?	Experiment Quasi-experiment	Survey questionnaire (large sample) Kenesics/proxemics Content analysis

Source: Marshal and Rossman (1995)

The objectives of this study are descriptive and exploratory, with research questions being mainly of “what” and “how” in nature. The proposed means of investigating such types of inquiry are: case study, ethnography and field study. Being rooted in anthropology ethnography has proved to be helpful for enquiries into the “social scientific description of a people and the cultural basis for their peoplehood” (Vidich and Lyman, 1994, in Denzin and Lincoln, 1994, p.25). Ethnography has been applied in organisational research, when individuals’ behaviour is concerned. However, the objectives of this research are focused on organisational relationships, where individuals are more of a means to understanding these, rather than the centre of the research enquiry. In addition, according to Yin (2009), ethnographies require a long time in the field and detailed participant observations. Partnership initiation and operation take place over years. This means that if ethnography is chosen, the researcher would need to spend a considerable amount of time as a part of organisations. However, such a time program goes beyond the frames of a doctoral research and the companies might be reluctant to grant an outsider the access to their confidential data. Similar problems arise with the field study (Punch, 1994, in Denzin and Lincoln, 1994). In addition, as this research aims to investigate business actors’ behaviour, it does not require control over events. Quite the opposite: the task of the researcher is to extract primary information with minimal researcher bias. Finally, this study focuses on contemporary events, since buyer-seller partnerships in business markets represent a contemporary phenomenon, which reflects the specificities of the particular environment of the business markets.

According to Yin (2009), under the conditions described above, case study is the preferred strategy, since it is “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the

phenomenon and context are not clearly evident” (Yin, 2009, p.18). In this research, the broad context is represented by the shipping industry, where the case itself is the focal company, whose partnerships with customers are studied, representing the phenomenon in the research. The units of analysis in the case are the focal organisation and the customer organisations.

#### 3.4.1.1. Single case study

The choice of using a single case study or multiple case studies usually depends on several factors. Most importantly, it depends on the demands of the research enquiry and research objectives. One case study is argued by Yin (2009) to be “enough” when a case is unique, revelatory or provides a first step towards developing more comprehension of the phenomenon. Secondly, it relies on accessibility to the sites of the research, and resource limitations.

This study adopts a single case study approach. The case study uses the focal container terminal company CTX, located in the Special Economic Zone (SEZ) of South China. As has been argued earlier, neither China nor shipping industry has been a common choice for investigating buyer-seller partnerships. The container shipping industry has developed enormously since the 1980s, with the fastest rates of growth in Asia. The limited research which has been carried out into it has revealed a growing tendency for cooperation between organisations in this sector (e.g. Olivier, 2005). However, no substantial evidence has been yet provided. Finally, the shipping industry represents a “small circle” – a closed environment of professionals, to whom it is hard to get access. To the current knowledge of the researcher,

no study on buyer-seller partnerships has previously been conducted with a Chinese container terminal as the focal company. Therefore, this case can be considered “revelatory” in nature, allowing new issues to be uncovered on buyer-seller partnerships (Yin, 2009), and thus, advance the comprehension of the phenomenon.

From the perspective of case study’s suitability for addressing research objectives, CTX is an appropriate choice for several reasons. Over the years, CTX has actively participated in the development of the South China region in terms of business and also in terms of developing more efficient institutional procedures, such as customs operations, construction of better motorways, logistics improvement and even areas like education and volunteering initiatives. The company, therefore, has been actively involved in a variety of relationships and activities in the South China region. Moreover, the initial positioning of the company has been as a “state agent” in business development, right from the first day it was established. The size of the company, its unique geographical location and the strategic orientation of its management allows CTX to have a significant influence on other businesses in this area. Therefore, it is one of the central – if not the main – actor which shapes relationships between the parties in the industry on the regional level. Based on this initial introduction, it is apparent that the company represents a “unique” case in the relatively new research environment (China’s shipping industry). Another crucial aspect to highlight is the proactive approach of the company in building and maintaining partnerships with its clients. As follows from CTX’s communications it views customer partnership development as one of its strategies. CTX’s partnership-oriented approach to customers means that the company has a rationale for partners’ choice and actions it undertakes in partnerships, and the experience in partnership initiation and operation. Therefore, the parts of RO1 and RO3, related to sellers’ position on

motives, conditions, actions and beliefs in partnerships can be addressed by studying CTX. In addition, investigating companies, considered by CTX as partners, can allow straight forward comparison of motives, conditions, actions and beliefs of buyers and the seller, further responding to RO1 and RO3 and illuminating the resulting strength of partnerships, thus, addressing RO4.

As has been stated earlier, RO2 seeks to understand the effects of Chinese context on partnerships' initiation. The tremendous growth of Chinese economy in the recent decades has been largely linked with the fact that it has become the largest exporter in the world (UNCTAD, 2010). This certainly links the evolution of Chinese context with the development of container shipping industry and Special Economic Zones (SEZs). Therefore, if one is interested in understanding contemporary situation and contextual effects on the contemporary phenomenon (partnerships), one, arguably, could not find better industry than shipping reflecting the recent changes in Chinese context. CTX is one of the first companies to represent the new era of China's economy – the era of “opening up”. The company is perceived by the Chinese local authorities as an important development in the port industry (Tse, 2009). The way the company has grown over the last fifteen years is a very close reflection of the overall booming of the Chinese economy during this time. Being a significant player in the global shipping industry and a dominant actor in South China, CTX represents a suitable case for addressing RO2.

One of the results of the evolution of Chinese context is a growing debate about the increasing or decreasing role of personal relationships in Chinese business, as discussed in Chapter 2. Similarly, within this study, RO5 seeks to understand the role of personal relationships in

partnerships. In order to produce new insights this issue should arguably be studied in companies which represent the “new era” of China and are engaged in international business and trade. Being a China-based company, which is doing business with the world largest shipping and exporting companies, and which is run by the managers with diverse backgrounds, CTX suits these criteria.

Finally, in spite of this case’s uniqueness, it is similar to other global container terminals in terms of the nature of its activities and technical characteristics, such as size and cargo handling procedures. Thus, once it has been accessed and studied, an empirical definition of a partnership can be proposed, fulfilling RO6, and possible implications can be developed for other terminals operating in this area.

Using a single case study presents challenges for researchers due to generalisability problems (e.g. Easton, 2010). As mentioned in the literature review, the investigation of the partnerships of a single company in a very specific industrial and cultural context might limit the generalisability of the results. However, the choice of the case or cases should depend on the demands of the research. As has been discussed above, the objectives of this research aim to contribute towards understanding partnerships between buyers and sellers. Being able to study the nature of CTX’s interaction with clients, to ask what it considers a partnership to be and how it develops these relationships, and to observe the behaviour of managers and their counterparts in the buying companies represents a unique opportunity for an in-depth investigation of the underlying phenomenon of partnership in a particular context. Additionally, using a single case study allows organisational characteristics, such as those relating to corporate culture, to be kept constant while changing others. Keeping one



organisation fixed allows for an in-depth investigation of the phenomenon of partnership and represents exceptional work, as this has not been done before in this area of academic research. Finally, conducting one case study within research should not be uncomfortable, and researchers should not “apologise” for it (Mintzberg, 1979). Mintzberg (1979, p.583) argues: “the field of organization theory has [...] paid dearly for the obsession with rigor in the choice of methodology. Too many of the results have been significant only in the statistical sense of the word”. Mintzberg (1979) argues that simpler and more direct methodologies tend to yield more useful results. While one can argue that the results obtained from a single case study might reflect the particular “world” of that case and might not be applicable to a larger population, the number of container terminals in South-East Asia cannot be compared with, for instance, the number of smaller manufacturing companies. Therefore, there is a high possibility that the results obtained from the investigation of partnerships of one of the largest container terminals in the region might be generalised to the population. An additional argument in favour of a single case study is the fact that there is a need to consider access to the information and the available resources. Another pertinent aspect is time, since an in-depth investigation of more than one organisation and its partnerships requires considerably more time than the frames of doctoral research can allow.

#### 3.4.1.2. The focus of the case study

The focus of this research is on buyer-seller partnerships in business markets. Thus, buyer-seller dyads represent the key objects of the research. The focal organisation (CTX) represents the seller, which provides the service of loading and unloading the cargo delivered by the

clients – shipping lines. Shipping lines and end-user companies in this research are the buyers of services provided by the terminal. The relationships between the terminal and shipping lines and the end-user companies are analysed. Comparisons are made first of all between the perceptions of the terminal managers concerning their relationships (whether they are partnerships or not) with their clients, and the perceptions of the customer companies' managers regarding their relationships with the terminal; and secondly, between the types of relationships and partnerships existing between the terminal and different customers.

#### 3.4.1.3. The choice of customer companies

The investigation is presented in two phases: Study 1 provides an overview of the context and the focal company; Study 2 focuses on buyer-seller partnerships. During Study 1, the goal was to understand the focal company, its perception of partnerships, and the relationships it has with customers. The next step in order to study the partnerships the focal company has was to obtain the names of the customer companies and to approach them. This research was designed in this way for two main reasons. Firstly, it can be argued that the focal company is the one shaping the relationships with its clients, and therefore that it is the key source of information on the partnerships with its clients. Secondly, the perceptions of the company cannot be formed separately and independently from the perceptions of the other side of a dyad. To an important extent, the perceptions of buying companies on partnerships and on their relationships with CTX shape the position of CTX itself. Therefore, buying companies were targeted as sources of information on the investigated phenomenon. The only way to obtain the names of the customer companies to ensure that the companies approached are

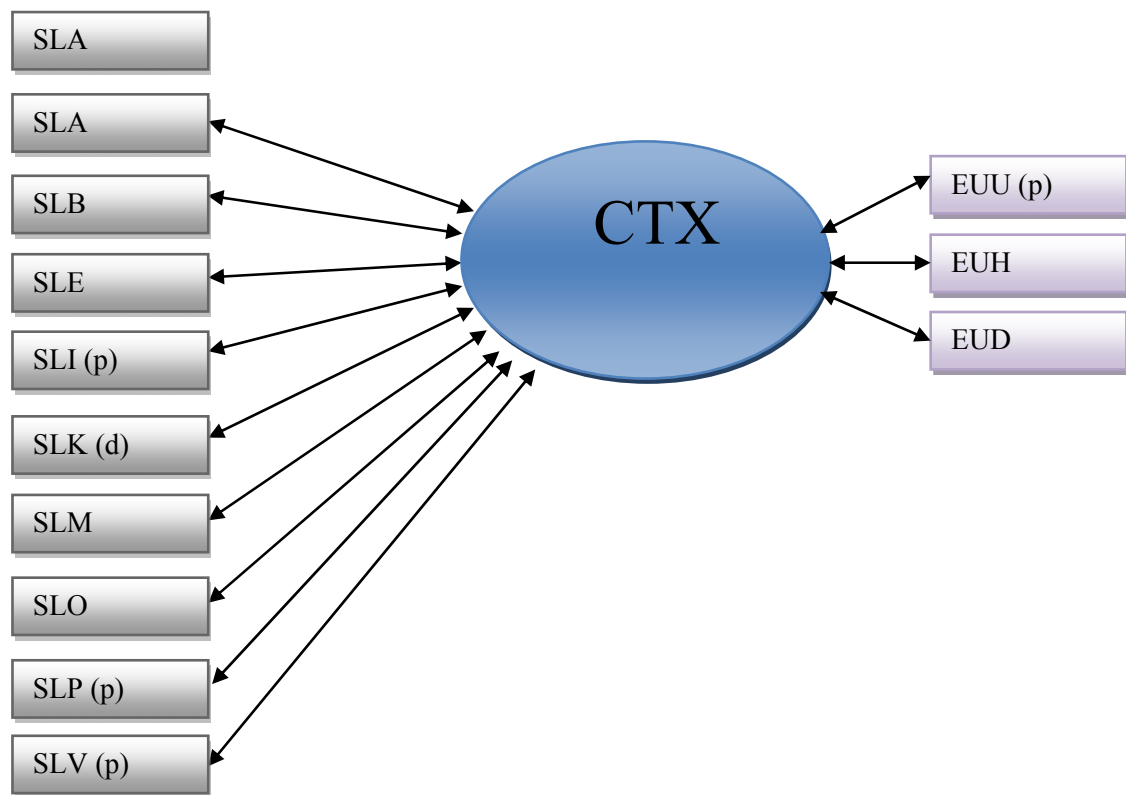
considered as partners by at least one party – the focal company – was to base the selection on the views of the top management of the focal company. As a result, some of the companies were identified during the first study and further confirmation was received from the CEO of CTX and the heads of the commercial and marketing departments (the two main departments dealing with clients).

Sampling depends not only on the researcher but on the agreement of the companies to participate in the research, as well as on the suitability of these for addressing the research objectives. In this research, first of all, the sample needed to be purposive, so that the companies who are treated as partners were included. While the “ideal” plan was to address only those companies which are involved in “mature” partnerships with the focal company, in reality this turned out to be almost impossible. The total number of big container terminal customers is not large – there are approximately thirty large shipping line companies. Of this number, approximately half of the companies are not considered by the terminal as partners. While the general customer relationship strategy of the focal company is to build partnerships with its clients, the company recognises that this is not quite applicable to all clients. Therefore, the companies chosen for investigation were limited to those named by the focal company. These partnerships included both early partnerships, known as prospective, and established partnerships. In addition, one former partnership, which had previously dissolved, is included as an example which could inform several aspects of the research. Finally, as revealed during Study 1, the focal company has built partnerships with indirect customers – the end users of the terminal services. As a result, instead of concentrating on either new or mature direct partnerships only, the study addressed the whole spectrum of partnership types. While one can argue that this added complexity to the research and could shift the initial

focus, it is believed by the researcher that the focus has not been damaged, as it remains on the partnerships between buyers and sellers.

After a list of companies was obtained, the companies were contacted in order to obtain the perspective of the buyer. Within Study 2 nine shipping companies and three end-user companies were interviewed according to the framework outlined in Chapter 2. Apart from these twelve dyads studied from both sides, there were a number of examples of other partnerships provided by the managers of the focal company and the third-parties interviewed, which also contributed to the overall findings of the study. As the purpose of the study was to investigate the phenomenon of buyer-seller partnerships in depth, consideration of the size of the sample was secondary to consideration of the suitability of the sample with regards to addressing the research objectives. Indeed, it would not really have been possible to obtain a “large sample” of one company’s “close relationships” (or partnerships). The investigated dyads are presented in Figure 3.2 below. The focal company is represented in the centre, the nine shipping line companies are on the left and the three end-user companies are on the right. A “p” next to the name of the shipping line company means that relationships with these companies were characterised by the focal company as prospective partnerships, while “d” stands for a partnership which has been dissolved. The remainder are partnerships as characterised by the focal company.

**Figure 3.2. Case study partnerships**



### **3.5. Research methods: data collection**

This section considers the methods of data collection in terms of which method could best serve the objectives of the research. Yin (2009) specifies six data collection methods most commonly used in the case studies: documentation, archival records, interviews, direct observations, participant observation and physical artefacts. The author, however, indicates that no single method has a complete advantage over the others, and that all the methods are complementary. As mentioned by Yin (2009), one of the main strengths of the case study

approach is the opportunity to use multiple sources of evidence, as this allows behavioural and attitudinal issues to be captured in greater depth. Moreover, the validity of the study is expected to increase if the findings resulting from multiple sources of evidence “converge”. At the same time Yin (2009) argues that while a good case study attempts to use as many sources of evidence as possible, the researcher should be aware of each method’s strengths and weaknesses (see Table 3.5.).

**Table 3.5. Six Sources of evidence: Strengths and Weaknesses**

Source of evidence	Strengths	Weaknesses
Documentation	<ul style="list-style-type: none"> <li>• Stable – can be reviewed repeatedly</li> <li>• Unobtrusive – not created as a result of the case study</li> <li>• Exact – contains exact names, references, and details of an event</li> <li>• Broad coverage – long span of time, many events, and many settings</li> </ul>	<ul style="list-style-type: none"> <li>• Retrievability – can be difficult to find</li> <li>• Biased selectivity, if collection is incomplete</li> <li>• Reporting bias – reflects (unknown) bias of author</li> <li>• Access – may be deliberately withheld</li> </ul>
Archival records	<ul style="list-style-type: none"> <li>• <i>[Same as those for documentation]</i></li> <li>• Precise and usually quantitative</li> </ul>	<ul style="list-style-type: none"> <li>• <i>[Same as those for documentation]</i></li> <li>• Accessibility due to privacy reasons</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>• Targeted – focuses directly on case study topics</li> <li>• Insightful provides perceived causal inferences and explanations</li> </ul>	<ul style="list-style-type: none"> <li>• Bias due to poorly articulated questions</li> <li>• Response bias</li> <li>• Inaccuracies due to poor recall</li> <li>• Reflexivity – interviewee gives what interviewer wants to hear</li> </ul>
Direct observations	<ul style="list-style-type: none"> <li>• Reality – covers events in real time</li> <li>• Contextual – covers context of “case”</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Selectivity – broad coverage difficult without a team of observers</li> <li>• Reflexivity – event may proceed differently because it is being observed</li> <li>• Cost – hours needed by human observers</li> </ul>
Participant observation	<ul style="list-style-type: none"> <li>• <i>[Same as above for direct observations]</i></li> <li>• Insightful into interpersonal behaviour and motives</li> </ul>	<ul style="list-style-type: none"> <li>• <i>[Same as above for direct observations]</i></li> <li>• Bias due to participant-observer’s manipulation of the events</li> </ul>
Physical artefacts	<ul style="list-style-type: none"> <li>• Insightful into cultural features</li> <li>• Insightful into technical operations</li> </ul>	<ul style="list-style-type: none"> <li>• Selectivity</li> <li>• Availability</li> </ul>

Source: Yin (2009, p.102)

Complementing the ideas of Yin (2009), Morse (1994, in Denzin and Lincoln, 1994) argues that the choice of the methods should be informed by the research questions and objectives. The author argues that research methods are the *tools* of the researcher, and the way they are used and linked to the objectives of the study will determine the “usefulness of the results” (Morse, 1994, in Denzin and Lincoln, 1994, p.223). Thus, he suggests that a researcher could come up with a grid, linking the research objectives, methods and results obtained. Following this advice, the links between the research objectives, methods and results are discussed below.

### **3.5.1. The sources of evidence**

#### **3.5.1.1. Qualitative interviews**

This case study research utilised several sources of evidence, which included primary and secondary data. The main source of primary data adopted in this research is qualitative interviews, which, surprisingly, have not been utilised much in previous studies of partnerships (see Table 3.6.).



**Table 3.6. Methodological approaches to existing research on partnerships**

<b>Methodology</b>	<b>Research approach</b>	<b>Research strategy</b>	<b>Research perspective</b>	<b>Research context: industry</b>	<b>Research context: culture</b>
<b>Authors</b>					
Fram and Presberg (1993)	Quantitative, supported by qualitative data	Survey	One-sided	Paper industry	US
Stuart (1993)	Quantitative	Survey	One-sided	cross-industrial	US
Gardner, Cooper and Noordewier (1994)	Quantitative and qualitative	Survey and case studies	Two-sided	Transportation and warehousing industries	US
Mohr and Spekman (1994)	Quantitative	Survey	One-sided	Personal computer industry	US
Ellram and Hendrick (1995)	Quantitative	Survey	Two-sided	cross-industrial	US
Campbell (1997)	Quantitative	Survey	Two-sided	Packaging industry	Cross-cultural
Humphreys, et al. (2001)	Quantitative	Survey	One-sided	Cross-industrial	China
Tuten and Urban (2001)	Qualitative	Semi-structured interviews	One-sided	cross-industrial	US
Rinehart et al. (2004)	Quantitative	Survey	One-sided	Cross-industrial	US

The main advantages of the interviews are the focus on the case study topics, and at the same time, the ability to provide a greater depth of understanding (Yin, 2009). According to King (cited in Cassell and Symon, 1994, p.14): “the goal of any qualitative research interview is

[...] to see the research topic from the perspective of the interviewee and to understand how and why he or she comes to have this particular perspective”. Interviews are not only based on the responses of those being interviewed, but also account for interaction between the researcher and the participant. Interviewees are not considered “subjects” as in quantitative research, but they are assumed to shape the course of the interview. Because they are based on communication between the interviewer and interviewee, interviews also allow a high degree of flexibility. Participants might ask for clarification on a question, or an interviewer might ask for an additional explanation regarding a particular answer. In addition, the interview process leaves room for the appearance of additional issues relating to a question. Therefore, interviews are particularly good in studies where an understanding of a phenomenon is sought. One more positive aspect, mentioned by King (1994, cited in Cassell and Symon, 1994), is that participants will readily accept an invitation to interview, compared to other research techniques.

On the basis of Yin (2009) it can be argued that interviews can be used with two purposes. First, as argued by Yin (2009), since most case studies are about human affairs, interviewees can provide relevant information about the facts and events. With regards to this research such interview data has been of crucial importance for addressing RO1-RO4. Indeed, in relation to RO1, concerned with motives and conditions for engagement in partnerships, RO3, concerned with actors’ actions and beliefs in them, and RO4, concerned with the strength of partnerships, the interviewees provided a number of important insights by sharing their experiences of partnerships’ initiation and operation as well as providing the explanations of particular events and behaviours. Such insights, where possible, were corroborated with the documentary sources and the evidence from direct observations. Similarly, managerial

reflections on the specificities of the context complemented the official industry reports, thus addressing RO2.

Secondly, interviews can be used to obtain the respondents' opinions and attitudes towards particular events. In this case, corroborating interviews with other data sources would not be relevant, but the information across respondents can be compared in order to determine the prevalence of opinions (Yin, 2009). Indeed, such interview data served as an important source of information for addressing RO5, on the role of personal relationships in partnerships, and guided the development of the definition of partnerships (RO6). While, as rightly noticed by Yin (2009) respondents' opinions are hard to compare with information from other data sources, an attempt has been made to obtain an additional source of managerial views on buyer-seller partnerships. Even though quantitative research methods were not explicitly applied in this research, part of the qualitative interviews, concerning respondents' understanding of partnerships, conducted during Study 1 included short, questionnaire-type exercises for the participants to complete. The exercises were developed based on explanations of partnerships drawn from the literature, and aimed to reveal participants' agreement/disagreement with these explanations. The main purposes of these exercises were to ensure that no misjudgement was made with regards to the respondents' understandings of the key concepts and to elicit respondents' associations with partnerships so that those can be compared with their verbal statements. The exercises are provided in Appendix 1.

#### *3.5.1.1.1. The type of the interview applied in the research*

Interviews can be unstructured, semi-structured and structured. Structured interviews are based on a standard format which is developed fully in advance. Questions are formulated and asked in a particular order. The responses to questions in a structured interview can be categorised and quantified. The categories in this case are pre-specified. This type of interview is usually used to test a hypothesis or a proposition. Unstructured interviews are similar to conversations and are carried out in order to elicit information from the knowledge and replies of the participants. The questions are general and arise as the interview progresses. The categories are developed during the process and as a result of the interviews. Unstructured interviews are mainly characterised by the high degree of flexibility of the approach, and the liberty given to participants. This type of interview is useful to explore a phenomenon before testing hypotheses or making propositions about it (King, 1994, cited in Cassell and Symon, 1994). Semi-structured interviews lie in between the two types of interviews described above. They are based on a carefully developed interview guide, which covers the topics about which a researcher wants to obtain data. The questions on these topics might vary depending on the process of the interview. Usually a broad open question is asked, followed by a number of probes to understand the opinions of the participant in greater detail (Ghauri and Gronhaug, 2002). The main advantage of this approach is that it allows for a more accurate picture to be built of the respondents' perceptions and behaviour. However, it is a challenge for a researcher to guide the interview in the direction of the research questions, whilst remaining scientific and critical.

This research adopts the semi-structured interview technique in order to generate data. Such an approach reflects the mixed epistemology of this research and the goal of adopting a

qualitative strategy which is rather formalised. On the one hand, as stated above, the phenomenon of buyer-seller partnerships is unclear and complex. Therefore, there is a need for knowledge development, which precedes knowledge testing. Therefore, an exploration of the phenomenon is required. On this basis, fully structured interviews are regarded as inappropriate for addressing the research objectives and research questions. On the other hand, adopting the unstructured interview method would mean that there is a danger of producing results that are too broad. The respondents might go beyond the research questions which are of interest in this study, leading to an overload of data on a phenomenon which was not clear to begin with. Therefore, instead of clarifying, the results might bring more complexity to the meaning and interpretation of the phenomenon. Thus, the semi-structured interview technique is adopted in this study, as it allows the researcher to address the areas of interest through pre-specified topics and according to a predesigned conceptual framework, and at the same time to have room to add and remove topics during the interview process and leave a certain level of flexibility for uncovering new issues within the constructs of interest. In total, forty interviews were carried out during Studies 1 and 2.

Under the semi-structured interview technique, general discussion topics were developed, as informed by the framework outlined in Chapter 2. The discussion guide covered general topics of interest to the researcher, and was used to direct the interviews. However, the respondents had varying experience and responsibilities. Therefore, the discussion guide was adjusted to take those factors into account. While the “ideal” discussion guide was structured according to a particular order, the interviews did not end up following it. The topics discussed were introduced during the interview and the responses to questions and examples provided by respondents often covered several issues. Therefore, all interviews followed their

individual paths, although the researcher kept this path within the topics of the research guide. The discussion guides can be found in Appendices 1 and 2.

#### *3.5.1.1.2. Limitations of interviews*

Despite their advantages, interviews have limitations. The first limitation is the complexity of the process of developing an interview guide, selecting participants, carrying out interviews and analysing data (King, cited in Cassell and Symon, 1994). All these steps require a significant amount of time and concentration from the researcher, while the process of interview arrangement and execution equally demands time and effort from the participants. Secondly, interviews might suffer from biases resulting from interviewer-participant interaction (see Table 3.5.). Answers to questions are subject to the researcher's interpretation and might suffer from subjective judgements, and emotional perceptions about each particular interview experience. Similarly, there is a possibility of the response bias, reflexivity or poor recall of the events by the interviewee (Yin, 2009). Finally, as mentioned by King (1994, cited in Cassell and Symon, 1994), an overload of information can arise as a result of interviews. During a conversation, participants are very likely to divert from the questions being asked and develop other ideas which are of relevance from their point of view. While it is definitely important to be open to new ideas, as this might produce interesting results, it is no less important to retain focus and to be able to elicit relevant information and separate it from additional aspects. To reduce the effects of abovementioned limitations, and to provide proof that the results are not just products of the researcher's subjective judgement and

preconceived views it is appropriate to “corroborate interview data with information from other sources” (Yin, 2009, p.109).

#### 3.5.1.2. Direct observation

The other source of primary data was direct observation. Direct observation is an important method in qualitative and – especially – exploratory research. It includes observations of the context, as well as observations gathered during other processes of data collection. For example, while carrying out a qualitative interview, a researcher might observe the body language of the participants, and their reactions to particular questions (Yin, 2009). In this research, observations were recorded in a diary either during the process of observing an event or an episode connected to data collection, or after. In the former, case field notes were taken; in the latter, an “observation form” was filled in. This form was developed on the basis of guidance provided by Miles and Huberman (1994) for the development of document and contact forms. An example of this form is shown in Appendix 6.

In contrast to participant observation, which “demands first-hand involvement in the social world chosen for study” (Marshall and Rossman, 1995, pp. 78-79), direct observation represents observation from the side, without playing a role in the investigated situations and context. The observations in this study were mostly conducted on the premises of the focal company, or at external sites with the participation of the focal company and were of particular importance for addressing RO1 and RO3. Observations of internal focal company’s meetings and tours around the company organised by the focal company for its customers, provided up-to-date information on the focal company’s strategic approach to customer

relationships and the names of the companies considered to be its partners (RO1). In addition, the unofficial data on the upcoming customer projects could be collected, thus informing the actions undertaken by the focal company (RO3). At the same time observations of two annual conferences held by the focal company, where more than five hundred companies from the shipping community were invited, and informal events, such as dinner meetings between managers of the selling and buying company, produced additional insights on the interactions between the companies.

Direct observation has been chosen over participant observation for several reasons. First of all, participant observation requires access to information which companies might be unwilling to share with an outsider. Additionally, a significant amount of time and resources is needed to make participant observation systematic and, therefore, to draw meaningful results from it. Finally, while it can provide insights “from inside the case study rather than external to it” (Yin, 2009, p.112), participant observation has strong weaknesses in terms of researcher bias. Therefore, direct observation, which is arguably less demanding in terms of resources required, and less subject to researcher bias, has been chosen over participant observation as a more suitable research method for this study.

#### 3.5.1.3. Documentation and archival records

The sources of secondary data included archival records of the focal company (e.g. mission statements, business plans and press releases over different years) and such documents as market, industry and company reports, and, on the supplier side, presentations to customers.



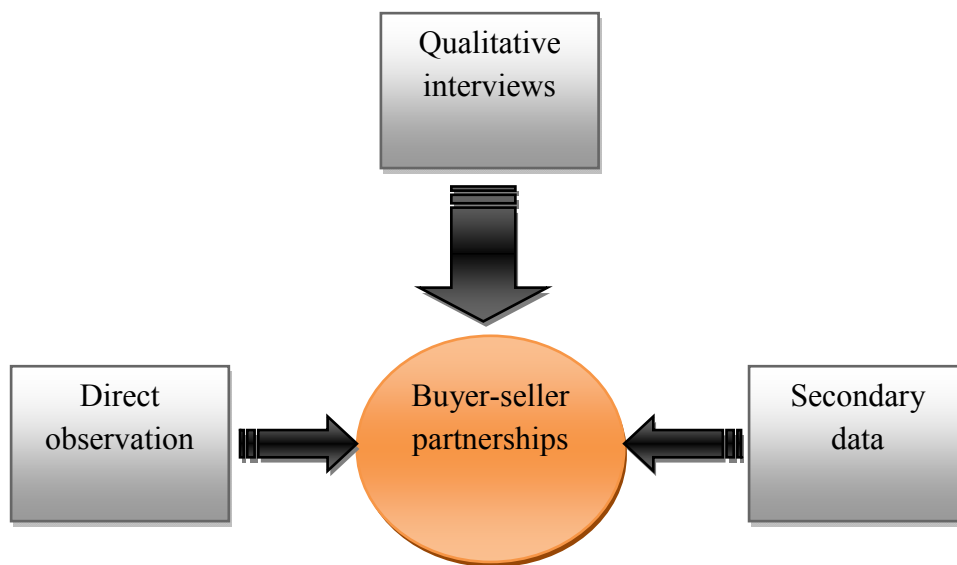
Additionally, articles from the local shipping industry magazines, printed in English, were used. As argued by Yin (2009) documentary and archival evidence is useful for verifying the information obtained through the interviews and for providing additional details to corroborate the evidence from other sources. In this case study documentary and archival records were of particular importance for addressing RO1-RO4. In relation to RO1, concerned with motives and conditions for engagement in partnerships, and RO3, focusing on actors' actions and beliefs in partnerships, focal company's records provided the data on the strategic and operational actions undertaken in focal company-customer relationships in different years, while press releases and newspaper articles supplied the descriptions of interaction episodes between the focal company and its customers. With regards to RO2, focusing on the contextual effects on partnership initiation, and RO4, analysing partnership strength, the information obtained from documents and archival records allowed for a better understanding of the environment, the structure of the industry, and the locations of companies in the shipping network, as well as the management practices of individual companies. Details of the secondary data sources are provided in Appendix 5.

#### 3.5.1.4. Conclusion on the links between the research objectives and the sources of evidence

As has been explained in the preceding sections, this research has utilised four out of the six main methods presented by Yin (2009) as the most commonly used in the case study research. The rationale for the use of interviews, documentation and archival records has been provided and the choice of direct over participant observation has been justified. Physical artefacts as a method were not discussed, since they are not appropriate for this study. The choice of

research techniques is presented in Figure 3.3, which has been built on the basis of Yin's (2009) scheme.

**Figure 3.3. Sources of evidence in research on buyer-seller partnerships**



The sources of evidence presented above have been argued to contribute to the fulfilment of the research objectives, and the ways in which they complement each other have been explained. Table 3.7., developed on the basis of Morse (1994, in Denzin and Lincoln, 1994) summarises these points and links the methods with their contributions for addressing the research objectives by highlighting the results obtained through the use of each method.

**Table 3.7. The link between research objectives, data collection methods and the results**

Research objective	Data collection methods	Type of results
<b>RO1:</b> To identify and compare the motives of buyers and sellers for engaging in partnerships, and the conditions necessary for this.	Interviews	In-depth descriptions of the managerial experiences of partnership initiation.
	Direct observation: focal company's internal meetings.	Descriptions of the focal company's strategic approach to customer relationships; descriptions of the upcoming focal company-customer projects.
	Documents: company reports, mission statements, business plans, news archives.	Historical account of the episodes of the focal company-customer relationship development, focal company's strategic approach to customer relationships.
<b>RO2:</b> To understand the effects of Chinese context on partnerships initiation.	Interviews	Description of the context from the "inside".
	Documents: industry reports, Port authority documents.	Description of the context by the official sources.
<b>RO3:</b> To analyse and to compare the actions and beliefs of buyers and sellers in their partnerships.	Interviews	In-depth descriptions of the managerial experiences of partnership operation, explanation of the actions undertaken in partnerships, account of the feelings/beliefs with regards to partnerships.
	Documents:  - internal reports, press releases,  - independent media sources	- Descriptions of the strategic and operational (day-to-day) actions undertaken in focal company-customer relationships - The opinion of independent sources with regards to these actions.
	Direct observation: focal company	Descriptions of the focal company's strategic approach to customer relationships,

	tours, internal meetings, external conferences	Description of the interactions between the companies.
<b>RO4:</b> To analyse the structure and specificities of dependence, commitment and trust in partnerships.	Interviews	Managerial reflections with regards to the bases for trust commitment and interdependence in partnerships.
	Documents: industry reports.	Account of the level of interdependence between the actors in the industry.
<b>RO5:</b> To investigate the role of personal relationships in partnerships.	Interviews	Descriptions of managerial attitudes towards the role of personal relationships, descriptions of their experiences of operating partnerships.
<b>RO6:</b> To provide an empirically based definition of partnerships on the basis of the insights obtained into the nature of buyer-seller partnerships in the Chinese shipping industry.	Interviews	Description of the managerial rationale for considering a relationship partnership.
	Association exercises	Descriptions of managerial associations with partnerships, to compare with their verbal statements.

### 3.5.2. Identifying and accessing informants

The focal organisation served as the starting point for carrying out interviews. During Study 1, managers were selected on the basis of their engagement in customer relationships. These mainly included commercial managers, who deal with the shipping lines; marketing managers, who are in charge of the focal company's promotion and the building of relationships with end-user companies; and operations managers, who deal with customers on the technical side of the service provision. In addition to people who are directly involved in

interactions with customers, top management, who formulate the company's overall customer approach strategy, were targeted as well; this included the CEO of the company, managers of the port development department, and the head of the corporate communications department. In total, thirteen qualitative interviews lasting about one hour each were conducted during Study 1. The lists of interviews and interviewees can be found in Appendix 1a. The purpose of Study 1 was to get an understanding of the focal organisation and its approach to customers, with particular emphasis on its partnership strategy and the managerial perceptions of partnership as a type of relationship. Additionally, the study provided the names of customer companies which could be contacted for the next stage of the research. The key areas explored at this stage of the research can be found in the discussion guide provided in Appendix 1b.

Study 2 consisted of an investigation of the partnerships the focal company has with its customers. The respondents on each side were chosen on the basis of their involvement in day-to-day interaction, as well as strategic decision-making. These were usually operations and logistics managers, as well as top managers from buying companies and key account managers, marketing managers and senior managers from the focal company. The reason for interviewing senior managers was that the focal company started its activity in the early '90s, and people who had been there from the beginning provided important insights into the development of partnership strategies of the selling company. In particular, a series of interviews with the CEO of the company were carried out. In total, the researcher spent about five days with the CEO, which resulted in about eight hours of interviews and several sets of notes. In total, 27 interviews were conducted. Lists of the interviewees are provided in Appendix 2a-b.

#### 3.5.2.1. Accessing the respondents

All of the companies approached in order to undertake this research are located in China. Therefore, there were difficulties with respect to the accessibility of the companies, as well as limitations in terms of time and funds.

Access to the focal organisation was arranged first. Several senior managers of the company were contacted by email, and when their agreement for participation in the interviews was received, the researcher conducted Study 1. During the interview process, the participants indicated other people, both within the organisation itself and within their clients' organisations, who could provide valuable insights into the research. The researcher then contacted these people by email or telephone, for the purpose of introducing the researcher and the purpose of the research. An example of a typical contact email is provided in Appendix 3. After this initial contact, a time and date convenient for the researcher and the participant to conduct the interview were set. In order to win the trust of the prospective respondents, the researcher's background and the name of the university were provided.

#### 3.5.2.2. Data recording

Different means of recording the data were carefully considered, and tape recording was then chosen as the preferred method. The use of a tape recorder allowed the researcher to concentrate on the information provided by the respondents and its meaning to them, instead of concentrating on documenting their words. However, a few respondents declined to be tape-recorded (despite having initially agreed to this). In some other interviews the

respondents asked for the recorder to be switched off when particular topics were discussed. Examples of such topics included personal relationships with managers from other companies, and planned joint projects. The reluctance of the respondents to have their ideas on these topics recorded is understandable, as in the latter case the competitive advantage of their company was in question while the former topic was at times uncomfortable for respondents due to the large amounts of stereotypes about the role of personal relationships in China. In these cases the data was recorded manually.

#### 3.5.2.3. Researcher-participant understanding

Carrying out the research in China imposed specificities on the way the interviews were conducted. Consideration was given to recruiting an interpreter, however the majority of managers interviewed had an international background and education and were fluent in English. Therefore, all the interviews were carried out in English. Despite the fluency of the researcher and the participants in English, it is certainly not possible to completely disregard possible hindrances to the expression of their ideas. However, all the participants received a list of approximate topics prior to the interview and, thus, were able to obtain initial ideas about the issues raised in the interview. In addition, at the beginning of each interview a brief introduction was made to explain to the participants the purpose of the interview, and to provide them with the opportunity to ask questions with regards to the issues discussed.

### **3.6. Data analysis**

According to Marshal and Rossman (1995), data analysis is “the process of bringing order, structure, and meaning to the mass of collected data” (p.111). The method of data analysis should normally serve the purpose of achieving these goals. One approach is to use content analysis (Easterby-Smith et al., 1991), which attempts to quantify qualitative data by counting the number of times a particular theme arises across the data sources. However, this research aimed at establishing greater understanding rather than providing an explanation of the phenomena. Therefore, rather than being interested in the number of times a particular theme occurred across the data sources, this research took into account various themes, even if these were mentioned by one respondent only. Additionally, the fieldwork produced rich data which could not be quantified. As a result, the approach used for data analysis in this research is of a more inductive nature (Patton, 1990), focusing on the themes and patterns arising from the data (Marshall and Rossman, 1995) and aiming to provide analytical rather than statistical generalisation (Yin, 2009). At the same time, the qualitative analysis was structured in accordance with the philosophy and strategy of the research and recommendations of Miles and Huberman (1994) on coding. The analysis of the data was a complex process and was carried out in two steps, subsequently creating two levels of data presentation – descriptive and analytical. The purpose of the descriptive level was to provide an understanding of the companies, the relationships between them and the context, and the analytical level intended to generate theory from the case study.



### **3.6.1. The process of data analysis**

In order to ensure the accuracy of descriptions and presentations of different partnerships in this case study, as well as the conclusions drawn from the analysis of these, analysis of the data was carried out using several steps. First of all, a list of codes was created prior to data collection on the basis of the literature review and the framework which guided the data collection. Creating a list of codes prior to data collection is considered useful as it guides the research and keeps it tied to the research objectives (Miles and Huberman, 1984). The codes were added, changed and adjusted during the data collection and at different stages of data analysis depending on the importance of certain concepts to the respondents. According to Miles and Huberman (1984), classification codes can be of the following types:

- Time period codes
- Descriptive codes: require no interpretation
- Explanatory codes: illustrate an emergent leitmotiv or pattern
- Astringent codes: allow for pulling material together, permitting the analysis

The codes developed in this study were mainly of a descriptive and exploratory character, and were intended to describe the overall partnerships and actions undertaken by actors in a partnership, the perceptions of actors regarding partnerships, and their direct experiences in particular partnerships.

The data analysis was carried out using the computer-aided program NVivo 8. NVivo 8 offers various options for analysing and storing data. Data can be stored in different folders corresponding to the sources of data (interviews, images, secondary data sources). This

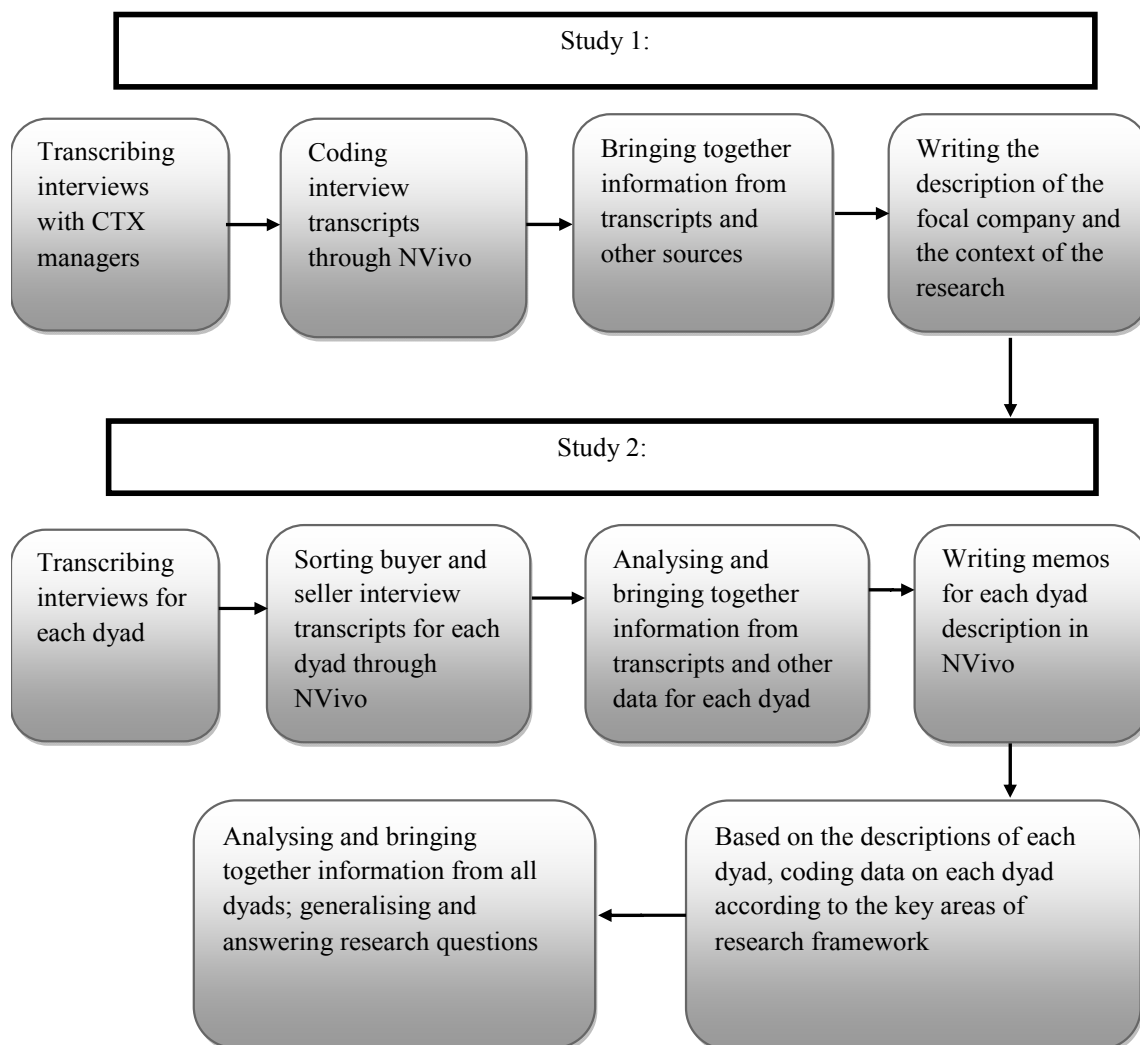
organisation of data storage eliminates problems with human memory and allows the software to “remember” all the important pieces of data. The storage option in NVivo was also important in this research for sorting out data on different partnerships. The next useful option offered by NVivo is code creation and coding of data. Coding in NVivo means attaching nodes (codes) to data. A code in this research is defined as “an abbreviation or a symbol applied to a segment of words – most often a sentence or paragraph of transcribed field notes – in order to classify the words” (Miles and Huberman, 1984, p.56). The coding process consists of selecting a part of the text in an interview transcript and allocating it to one or several nodes. NVivo contains the options of “free nodes” and “tree nodes”, where the former allows the use of nodes in an unstructured manner, and the latter allows for the organisation of nodes in hierarchies. The tree is organised so that broad nodes represent broad concepts and contain narrower nodes. Free nodes were often used in the initial stages of coding before the analysis stage, when they were grouped together, expanded or eliminated. Tree nodes represented key categories which were informed by the research questions and framework. Tables of codes – developed from Study 1 and Study 2 – can be found in Appendices 7a-b. Finally, NVivo allowed for the creation of relationships between themes and categories and the graphical representation of them. An example of such a graph can be found in Appendix 7c.

The proceedings of Study 1 have been analysed first, followed by the proceedings of Study 2. The key data categories, or nodes, have been developed on the basis of the theoretical framework and the new data which emerged during the course of the study. Such an approach goes in line with the somewhat structured qualitative approach adopted in this research, and represents a mix of relying on theoretical underpinnings of the research, and “developing a

case description”, as outlined by Yin (2009, pp.130-132), as case study analysis strategies. Such an approach allowed the focus of the research to be retained, and at the same time prevented new issues that could arise from the data (e.g. actions undertaken in partnerships) from being overlooked.

Data analysis followed the steps presented in Figure 3.4, and explained below.

**Figure 3.4. The process of data analysis**



Analysis of the data in this study was challenging due to the richness of data and the goal of trying to capture the dyadic perspective. Because of the second challenge, the process of data analysis was developed in such a way that it could take into account the source of data (for example interview with buyer or interview with seller) with regards to particular partnerships.

First of all, the data from Study 1 was analysed. The tree nodes developed for Study 1 are presented in Appendix 7d. The key tree nodes were related to:

- The information about the focal company,
- The business environment in China and in the shipping industry,
- Manager perceptions towards buyer-seller relationships,
- Manager understandings of partnerships with customers in their industry.

The data has been grouped according to the subsequent tree nodes, and on the basis of these a description of the focal company and the environment in which the research took place has been provided.

Study 2 was carried out to see how the phenomenon of partnerships features in particular dyads of CTX and its customers. Data analysis for Study 2 was carried out in two steps. First of all, several conceptual categories were developed on the basis of the research questions and framework. The categories included such themes as: description of the partnerships studied, engagement and behaviour of parties in partnerships, the strength of relationships in partnerships, the role of personal relationships in partnerships, the effects of context on partnerships, and a definition of partnerships. The categories represented the trees of nodes.

Then, the data on each partnership was sorted according to these key trees of nodes. When doing so, the data was sorted additionally according to “buyer” or “seller” nodes to capture the opinions of the buying and selling companies separately. An example of the tree used for this sorting stage of the analysis can be found in Appendix 7d.

This stage of the data analysis allowed for the sorting and coding of data according to the broad categories which were of interest to this investigation. It also allowed for the observation of differences and similarities between experiences, actions and attitudes of buyers and sellers. NVivo offers an option to produce a report about a particular code. Therefore, the opinions of buyers and sellers could be presented in a usable form and utilised for the analysis. An example of the report produced by NVivo on one of the tree nodes can be found in Appendix 8.

From this part of the coding process, descriptions or memos of each dyad were made. This allowed for the identification of patterns, similarities and differences between different types of partnerships, as well as the experiences of buyers and sellers. As a result, partnerships were divided according to two categories: the first included direct and indirect partnerships, and the second included prospective and established partnerships. From this sorted data, a second stage of data analysis – coding – was carried out to generalise the data obtained from the individual interviews. Therefore, more detailed analysis of each category was carried out and new trees of nodes developed. An example of one tree node which was built during this stage of the data analysis, along with the table of codes, can be found in Appendix 7d. It was during this final stage of the data analysis that the theory generation took place, as generalisation could be made on the level of the studied case among different partnerships.

To summarise the process of data analysis, it can be said that several steps have been undertaken in order to generate a theory and answer the research questions. These steps are presented in Table 3.8.

**Table 3.8. The key steps in data analysis**

Step number	Description
1	<u>Description of the focal company.</u> What are the company's history, strategy, market position, corporate culture and customer relationship policy? What are the characteristics of the shipping industry and the surrounding cultural environment?
2	<u>Addressing CTX's perceptions of partnerships with buyers.</u> What is a partnership with customers from CTX's perspective? What kind of partnerships does the company have? What are the key attributes of these partnerships?
3	<u>Description of each partnership.</u> What are the characteristics of the buying organisations? What is the history of each partnership between the focal company and the buying organisations? How is each partnership seen by CTX and the corresponding partner from the perspective of actions and beliefs? What is important for each of the partners in the partnership?
4	<u>Generalisation of data</u> and addressing the research objectives – theory generation, writing of the case study.

### **3.7. Evaluating the research**

It is widely acknowledged among researchers that all studies must satisfy the criteria of “goodness” (Miles and Huberman, 1994) or “soundness”, and “trustworthiness” of the research and must respond to the following questions:

1. How credible are the findings of the study?
2. How transferable and applicable are these findings to another setting?
3. What is the possibility that the findings would be replicated should the study be conducted again?
4. Are the findings reflective of the enquiry rather than a creation of the researcher’s biases?

(Marshal and Rossman, 1995, p.143)

The criteria developed to respond to these questions and to evaluate research processes and results in general were initially outlined for the quantitative studies. These criteria included reliability, validity and generalisability (e.g. Yin, 2009). Reliability refers to the ability of the measurement to produce the same results if the measurement is undertaken again; validity refers to the ability of the instrument to measure what it aims to measure; and generalisability refers to the likelihood that the results obtained from the sample will hold for the rest of the population from which the sample was drawn (Easterby-Smith, 1991). However, when qualitative studies are discussed, there is much less clarity about which criteria should be used for research evaluation. Scholars have developed various criteria for evaluating qualitative research. For example, Yin (2009) proposed definitions of reliability and validity in relation to case study research, while Marshal and Rossman (1995) suggest credibility, transferability, dependability and confirmability as measures of the research “trustworthiness”. Similar

criteria are outlined by Miles and Huberman (1994). Despite the differences in terminology, all three named sources provide useful insights in research evaluation, and therefore are used as reference points in this research.

### **3.7.1. Validity**

The first question posed by Marshal and Rossman (1995) concerns the notion of validity of the research. Yin (2009) selects two types of validity: construct and internal. Internal validity is concerned with establishing causal relationships and, as argued by Yin (2009), is not applicable to exploratory or descriptive research, which makes it irrelevant to this study. Construct validity refers to “identifying correct operational measures for the concepts being studied” (Yin, 2009, p.40) and is similar to Marshal and Rossman’s (1995) “credibility”, which refers to demonstrating that “the inquiry was conducted in such a manner as to ensure that the subject was accurately identified and described” (p.143). Construct validity in this study is increased through the means recommended by Yin (2009) – i.e. using multiple sources of evidence, namely qualitative interviews, direct observation and secondary data and triangulation of data through a dyadic perspective and, where possible, the inclusion of several respondents from either side of a partnership. Moreover, a discussion of the research process and findings with the CEO of the focal company, who acted as one of the key informants, helped to assess the credibility of the results and to increase construct validity. In addition, Easterby-Smith (1991) links validity with the degree to which there was full access to the knowledge and meanings of informants. This, however, is heavily dependent on the willingness of the respondents to participate and to share information. Thus, the possibility of



increasing validity lies within a researcher's ability to identify the "correct" informants and to obtain their agreement to participate (Miles and Huberman, 1994; Stenbacka, 2001). The processes of respondent selection have been described above, and are believed to be adequate to ensure the validity of results.

### **3.7.2. Generalisability (external validity)**

The second question posed by Marshal and Rossman (1995) refers to external validity (Yin, 2009), transferability or generalisability of the research results to other contexts. Generalisability measures the extent to which the obtained findings are "true" for larger samples and populations. Generalisability of case studies is argued to be quite problematic (Yin, 2009; Marshal and Rossman, 1995). This is particularly true for the studies conducted in original, specific settings, which is the case with this research. As discussed in the literature review, the Chinese business environment is characterised by the strong influence of government and *guanxi* practices, which are characteristics of this particular context and are unlikely to feature in many other settings. Therefore, the insights on buyer-seller partnerships obtained from the Chinese shipping industry are likely to contain the specificities of these industrial and cultural contexts, which pose a challenge for generalisation. However, it can be argued that while there is uncertainty about the generalisability of the findings at the level of business markets, there is a possibility of generalising the results on the level of the South-Asian region, which is one of the leading regions in the container shipping industry. At the same time, Yin (2009) argues that in contrast to quantitative research, the generalisability in qualitative studies is of an analytical rather than statistical nature. Thus, the main task of the

researcher is to generalise results to a broader theory. One way to do this is to show that the parts of the case analysis cover broader theoretical issues than experiences of a single case. For instance, the case study of buyer-seller partnerships in the Chinese shipping industry might be tied into theory of buyer-seller partnerships in other similar industries in China.

Overall, while the researcher is fully aware that the generalisability of the findings in this research remains challenging, some steps have been undertaken in order to enhance it. Following the advice of Yin (2009), a considerable number of interviews have been obtained and triangulation has been used with regards to the sources of evidence and respondents in order to “strengthen the study’s usefulness for other settings” (Marshall and Rossman, 1995, p.144). In addition, since the generalisability of findings is tested by other researchers (Marshall and Rossman, 1995) an attempt has been made to assist them with this task by suggesting the settings for further research and providing a conceptual framework; by applying this to other settings, they will be able to determine whether the findings of the current study are generalisable.

### **3.7.3. Reliability**

The reliability or dependability of the research relates to the ability of the research tools, measures and processes to produce the same results if the same objects were studied by different researchers (King, 1994, cited in Cassell and Symon, 1994). Due to the fact that the interview method was used, the researcher is likely to influence the process of an interview, which may in turn produce researcher bias and is therefore undesirable from the perspective

of reliability. However, as mentioned by King (1994, cited in Cassell and Symon, 1994), interviewers' differing degrees of sensitivity to particular topics is more of an advantage for the overall contribution to knowledge, as it allows for a broader perspective to be captured. King (1994 cited in Cassell and Symon, 1994) also, however, outlines the importance of reducing threats to reliability. One suggestion is that, while having some ideas about the study and its results, researchers should stay as free as possible from preconceptions and be curious about the study itself, rather than expecting particular results. This was, indeed, one of the key aims of the current research.

The notion of reliability is based on the idea that the conditions of the research do not change. However, in qualitative studies such an assumption is unlikely to hold, since even though a research might be structured to a certain extent (as in case of this research), the adjustments are still being made as the study progresses, which does not allow the social world to remain unchanged (Marshall and Rossman, 1995). Therefore, it is unlikely that this study could be reproduced under the same conditions. However, to facilitate replication at least at a hypothetical level, details of the research design were provided, and documentation of the data collection was made – the details of which can be found in the appendices (e.g. lists of interviewees and discussion guides).

#### **3.7.4. Objectivity**

The final evaluation criterion which is addressed by Marshall and Rossman (1994) is confirmability or objectivity of the research. In qualitative research, the notion of objectivity

is based on whether the “findings of the study can be confirmed by another” (Marshall and Rossman, 1994, p.145). Therefore, objectivity is concerned with the extent to which the results are free from the researcher’s biases and depend on “the subjects and conditions of the inquiry, rather than on the inquirer” (Miles and Huberman, 1994, p.278). While objectivity is challenging in qualitative studies which use interview techniques due to researcher-participant interaction, it is important for the researcher to be aware of personal assumptions and biases, and to consider how they might affect the study.

The first bias that has been considered in this study refers to the data collection, and stems from the researcher’s effects on the sites of the research. This bias takes place when the presence of a researcher disturbs the common order of the site. The participants might feel uncomfortable, and when interviewed provide answers that protect their self-interests (Miles and Huberman, 1994). In this research, the key site of investigation was the territory of the focal company – CTX – where the researcher carried out a number of interviews and was involved in the direct observation. Several actions have been undertaken in order to reduce the researcher effects. First of all, the choice of direct observation over participant observation, as discussed earlier, reduced the potential of the researcher to affect the events on the site. In addition, the researcher undertook several visits to CTX and spent a considerable amount of time there (in total around five months), so that her presence at the later visits was no longer unusual for the respondents. Finally, following the advice of Miles and Huberman (1994, p.266), some interviews were held off-site, to reduce the “threat quotient” and “exoticism” of the researcher.

Another challenge in qualitative research comes from interpretive bias, which might arise due to the cultural background of the researcher. In this case, the question is to what extent the findings of the research reflect the reality of the subjects of the research rather than that of the researcher (Miles and Huberman, 1994). According to McCracken (1988), the interpretive bias of a researcher is particularly dangerous when the researcher and the respondent are from the same culture (McCracken, 1988). In such a case, the researcher might attempt to link their own experiences and meanings to those of the respondent, which inevitably affects the interpretation of the research results. However, while it is argued by McCracken (1988) that “scholars working in another culture have a very great advantage over those who work in their own” (p.22), since they are able to maintain the much-needed distance between themselves and the respondent, such researchers are also exposed to interpretive bias. Indeed, the cultural background might lead the researcher to interpret the information received from the interview under the influence of their own values and principles. While the interpretive bias based on the cultural background of a researcher is unlikely to be totally eliminated, it is important that the researcher demonstrates awareness of the bias and undertakes the necessary steps to reduce it (Miles and Huberman, 1994).

In this study, interpretive bias might arise due to the cultural background of the researcher, which differs from the background of the majority of the research participants. Indeed, the majority of interviewees are of Chinese origin, while the researcher is Russian. However, firstly, the researcher has never worked in her native country which, arguably, reduced her preconceptions with regards to business relationships and buyer-seller partnerships, and their attributes in particular. Secondly, the interplay between the cultures of the researcher and that of the study participants is helpful for addressing the interpretive bias. On the one hand, the

differences in cultures helps the researcher to be more attentive and receptive towards the information coming from the participants, since it is new and “to some degree mysterious” for them (McCracken, 1988, p.22). On the other hand, the distance between Chinese and Russian culture is not as big as the distance between Chinese and American or British culture (see Hofstede, 1980; Brett et al., 1998; Adair et al., 2004). Indeed, similarities in the historical development (from socialism to transition towards market economy), and even some common cultural characteristics, reinforced the understanding between the researcher and respondents in the areas related to the description of context, the role of government in business and the role of personal relationships, and thus minimised the interpretive bias. Finally, as argued earlier, the conclusions made by the researcher on the basis of the study have been discussed with one of the key informants of Chinese origin to confirm that the results made sense for a person from the investigated context.

### **3.8. Ethical considerations**

Finally, attention should be paid to issues regarding ethics, as various research topics might be sensitive for the participating organisations and individuals. First of all, as there was no need to conceal the research aims from the participants, they were given full information about the study, which eliminated the problem of uninformed consent (Bryman and Bell, 2003). All the participants received an email or a phone call introducing the researcher and describing the purpose of the research. The list of approximate topics was also emailed to the participants if requested. In order to further ensure that informed consent was given, a consent form was developed. The consent form was used in order to assure the participants of their voluntary

participation and the preservation of confidentiality regarding the information they provided. In addition, at the beginning of each interview a brief introduction was made once again, and permission to audio-record and use direct quotations in the text of the thesis was requested.

### **3.9. Conclusion**

This chapter has presented the steps which were undertaken to address the research objectives. First of all, on the basis of the rather structured nature of objectives, a set of research questions was developed and the adoption of a mix of positivist and interpretivist paradigms was justified. Secondly, considering the exploratory and descriptive purposes of the research objectives, the choice was made to use a qualitative approach and a single-case-study strategy in order to provide an in-depth understanding of the phenomenon, which could not be separated from the context of its occurrence (Yin, 2009). Then, the rationale for the use of multiple sources of evidence has been provided and the choice of the research methods has been justified. In particular, the results obtained through the application of the chosen methods have been discussed and the ways in which they helped to address the research objectives have been highlighted (e.g. see Table 3.7.). Finally, the process of data analysis has been explained and the chapter has been concluded with a discussion of the extent to which the chosen research methodology satisfies the criteria of reliability, validity, generalisability and objectivity. The next chapter presents the findings obtained through application of the methodology discussed in this chapter.

## **CHAPTER 4**

### **4. Research findings**

#### **4.1. Introduction**

This chapter presents the findings obtained in the research on buyer-seller partnerships in the shipping industry in China. The goal was to understand the nature of buyer-seller partnerships through studying their initiation and functioning from a dyadic perspective. As a result of two-phase research, a case study of CTX has been built. This chapter starts with an explanation of the rationale for the presentation of the findings, and proceeds with the presentation and analysis of these findings.

#### **4.2. Presentation of findings**

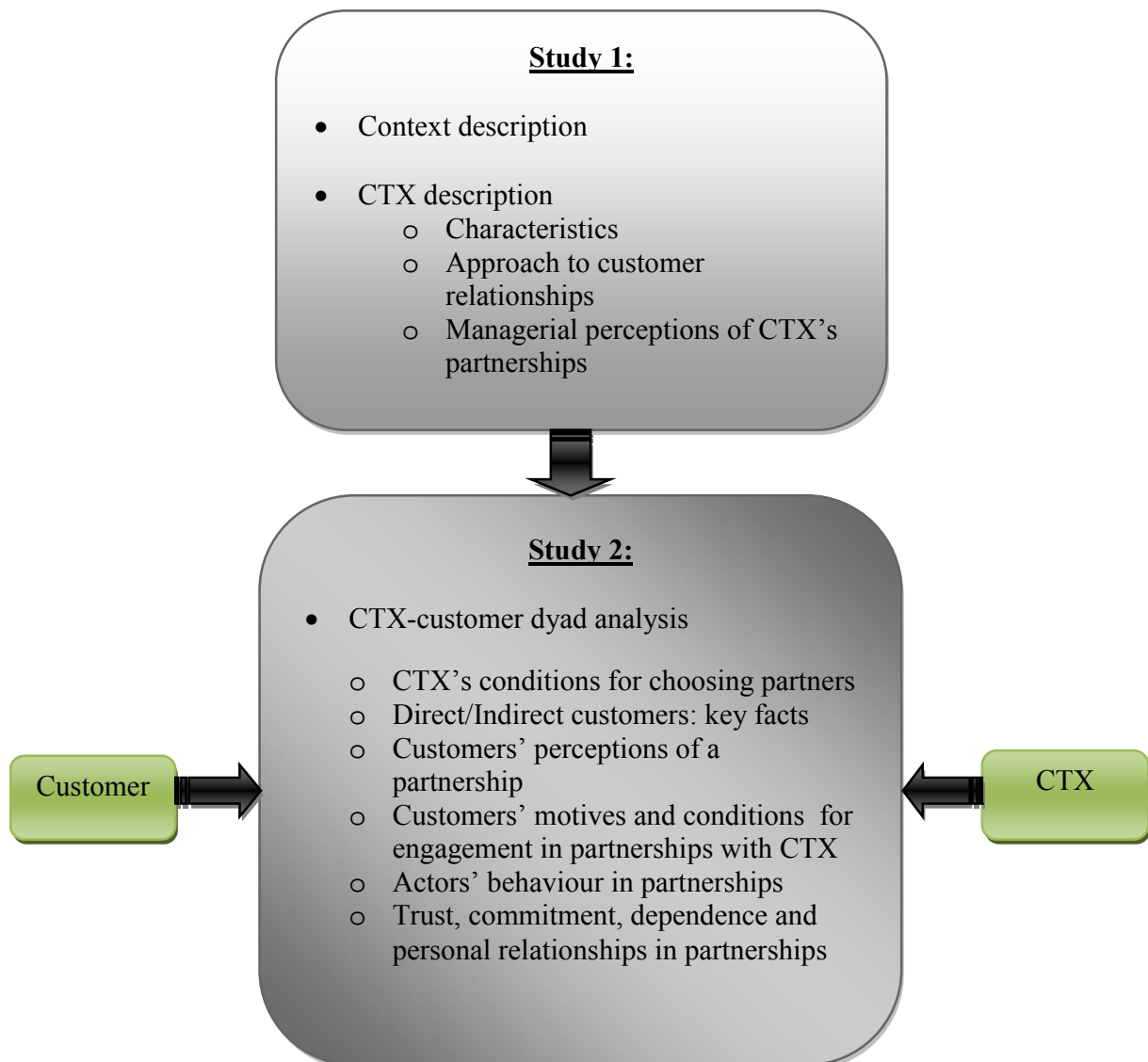
This case study research consisted of two parts, named Study 1 and Study 2. Both studies used semi-structured interviews as the key means of data collection. The interview questions for both studies were developed on the basis of the literature review and theoretical framework discussed in Chapter 2. Study 1 was conducted in order to obtain an initial understanding of the research context and the focal company and to make first steps in investigating the supplier's perspective on buyer-seller partnerships. The findings obtained from Study 1 informed Study 2 by providing examples of partnerships with customers and introducing additional issues which emerged for further examination.



All the collected data has been analysed with the help of NVivo, where the main data categories have been developed on the basis of the theoretical framework and the new data that emerging during the course of the study. For instance, while the general categories, like “motives” and “actions” have been developed from prior empirical research, focal company-customer relationships have been classified into *direct* and *indirect* following the results of Study 1, and, during the course of Study 2, further into *partnerships* and *prospective partnerships*. Therefore, when the research findings are presented, many aspects of the case study are analysed in the light of these classifications.

The findings of Study 1 are presented and interpreted first, and their implications for Study 2 are discussed. Since contextual factors affect the motives and conditions for partnership formation and thus are crucial in terms of being understood, the findings related to the context of the study are presented first, followed by the findings on the focal company. The findings related to managerial opinions on partnerships are organised according to several key aspects of the research framework. Following this, the findings of Study 2 are presented, where the focal company’s and the buying companies’ perspectives on partnerships are brought together on the basis of the data from 12 dyads. Whether a relationship was a partnership is determined based on both the supplier and customer perspectives. The findings are organised according to the key aspects of the research framework. The logic of the findings’ presentation is shown in Figure 4.1.

**Figure 4.1. The structure of the findings**



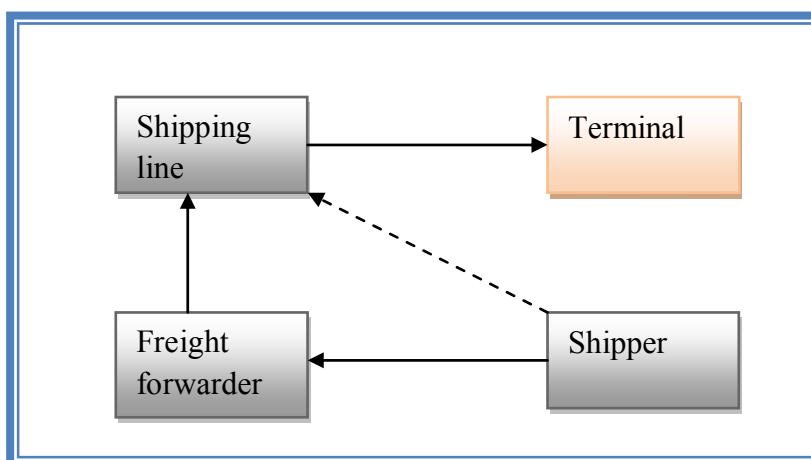
### **4.3. Study 1: The context of the study**

This section presents the empirical findings on the context of the research collected during Study 1. These findings include a description of the specificities of the container shipping industry in the investigated Special Economic Zone (SEZ) – SEZ-1.

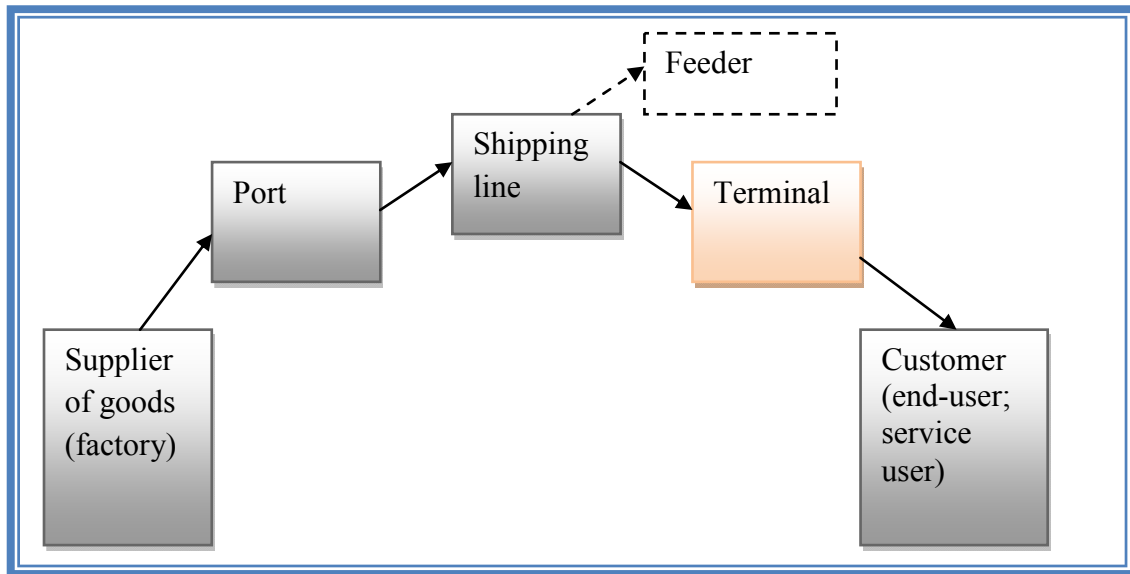
#### **4.3.1. Key actors in the container shipping industry in SEZ-1**

The container shipping market is characterised by huge volumes and turnovers, high concentrations of companies and an overall interconnectedness within the supply chain. The traditional links between the actors are presented in Figure 4.2, which, to enable a better understanding of the place of each actor within the supply chain, is complemented by Figure 4.3, which represents the “route” of the transported goods.

**Figure 4.2. Traditional links between the key actors in the container shipping industry**



**Figure 4.3. The “route” of the exported/imported good**

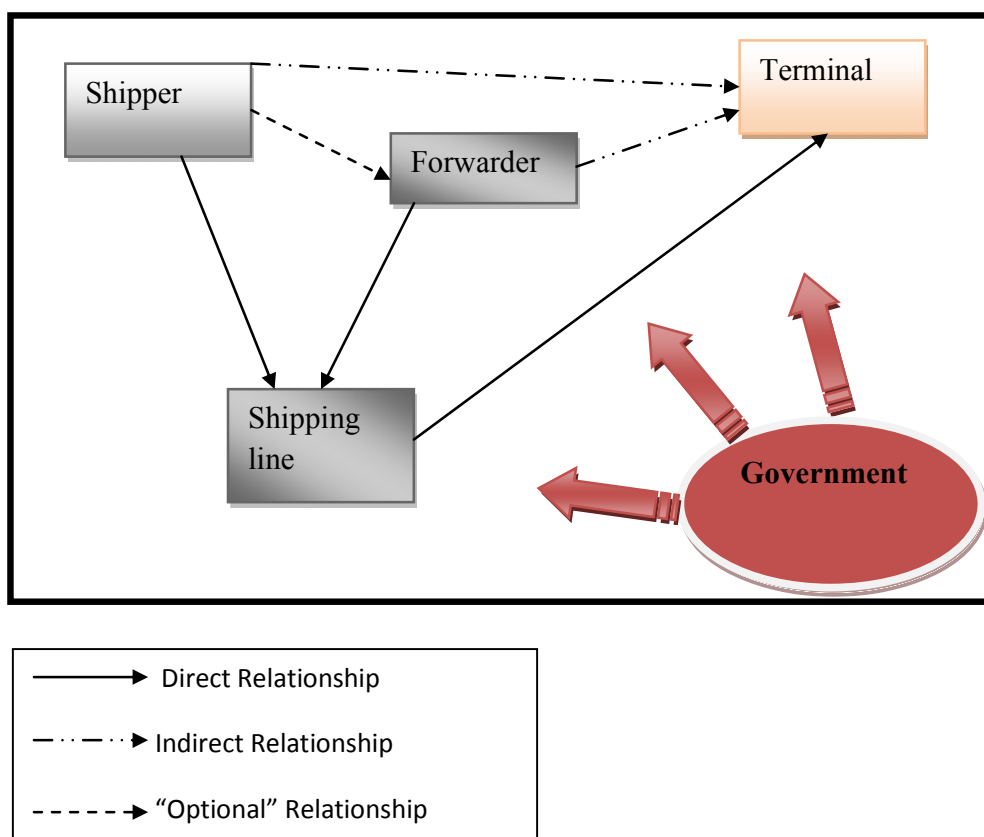


Container terminals traditionally provide cargo handling services and warehousing facilities. Shipping lines are the carriers of cargo from one destination to another. Therefore, there is a direct relationship between the terminal and shipping lines, represented by the arrows in Figure 4.2. Freight forwarders are companies which are appointed by a shipper to act as an intermediary between the shipper and the shipping line, and to provide additional services like booking and providing information updates on cargo, and helping with documentation. If a shipper uses a freight forwarder, a direct relationship is formed between them. If a shipper does not use freight forwarder, there will be a relationship between it and a shipping line. These are reflected by the corresponding arrow and dashed arrow in Figure 4.2.

Terminals traditionally did not have any relationships with shippers; however, trends towards closer cooperation between the members of the shipping industry supply chain, as emphasised by industry professionals (e.g. Martin and Thomas, 2001), have resulted in changes to the

links between the actors. In particular, there is a possibility of relationships between a terminal and a shipper or forwarder. Figure 4.4. presents the links between actors in terms of their influence on the decision-making process in the chain.

**Figure 4.4. The links between the key actors in the shipping industry: decision-making process**



An important participant in the decision-making process in the supply chain in SEZ-1 is the government. Government actions directly affect relationships between actors, as dealing with administrative and legislative procedures is a major part of shipping. The role of government is discussed in detail in section 4.3.2.1.

The arrows in Figure 4.4 represent the connections between the actors in terms of the decision-making process. A shipper chooses to either use a forwarder or conduct its transactions directly with the shipping line. In the former case, the forwarder chooses the shipping line and the shipping line selects the terminal. However, a shipper or a freight forwarding company might choose the terminal if relationships with the terminal allow.

#### **4.3.2. Container shipping industry in SEZ-1**

As of 2009 China had become the greatest exporter in the world, accounting for 25% of the world's containerised exports (UNCTAD, 2010). This certainly makes the container industry an important part of China's economics. Indeed, out of 20 top container terminals in the world, eight are located in China.

The development of the container terminal industry in China is tightly linked with the growth of SEZs (Mee Kam Ng, 2003). SEZ-1, where the focal company – Container Terminal X (CTX) – operates, was created in 1980. Proximity to Hong Kong and significant policy concessions (see Table 4.1.) have stimulated the development of the container terminal industry.

**Table 4.1. Key policy concessions in SEZ-1**

<b>Actors benefiting from concession</b>	<b>Concession</b>
Companies located in SEZ-1	Autonomy to seek foreign investments
Companies located in SEZ-1	Special allowances on the use of land
Banks located in SEZ-1	Special conditions for banks providing loans
Foreign companies operating in SEZ-1	Five years of tax-free operation with the following five years at 50% tax reduction for foreign investors
The local government of SEZ-1	Entitlement to large percentage of regional revenues

*Source: based on Tse (2009, p.141)*

SEZ-1 offered beneficial conditions, lower labour costs and, unlike Hong Kong, did not require crossing the border, which took a significant amount of time (Cullinane, et al., 2004). Therefore, by 2008 SEZ-1 had become the fourth busiest port in the world, with the three key terminals competing with the port of Hong Kong: CTX, CTW and CTV.

**Table 4.2. Growth in containerised trade in China**

<b>2008</b>	<b>GDP (billion USD)</b>	<b>Growth rate</b>	<b>Import and export (billion USD)</b>	<b>Growth rate</b>
China	30,067	9%	2,560	17.8%
The province	3,569.6	10.1%	683.26	7.8%
The SEZ-1 region	780	15%	299.97	4.3%

*Source: UNCTAD, 2008*

#### 4.3.2.1. Government control in SEZ-1

The position of the government towards the shipping industry has been found to be somewhat contradictory. Several concessions have been provided to companies doing business in SEZ-1 and at the moment of the research the managers of CTX were convinced that the government was willing to build up the reputation of SEZ-1 as a new leading region in South East Asia. With respect to the ports' operation, the Chinese government has set out to modernise customs procedures and international trade facilitation, through raising service efficiency to foreign customers, which follows from the documentation provided by China Customs administrations (See Box 4.1.).

#### **Box 4.1. Evidence from China Customs Annual Reports 2007-2008**

“China Customs [aims] to realize both internal and external harmony by creating [a] friendly internal atmosphere and cooperative external environment. Moreover, it is giving full play to its role of keeping the national gateway and providing services, so as to build itself into a service-oriented, responsible and law-based Customs service” (China Customs Annual Report, 2007, p.2).

“In 2006, the National Office of Port Management was formally set up, which has enabled port management to take on a new look [...] As a result, most of the ports have witnessed constantly raised clearance efficiency, especially those important ones” (China Customs Annual Report, 2007, p.7).

“China Customs actively engaged itself into the multilateral, regional, and bilateral customs mutual administrative assistance and cooperation. Through drawing on the advanced experience and methods adopted by the international Customs community, China Customs has become more adaptive with the international Customs practices” (China Customs Annual Report, 2008, p. 20).



“China Customs has now become a more skilful and influential player who enjoys higher status in the international customs community” (China Customs Annual Report, 2008, p.21).

However, despite the government’s objectives and achievements outlined in official reports, the shipping industry in SEZ-1 is regarded as one in which government control remains high. There are several levels of regulation: state government, local government, frontier inspections, and customs and quarantine administrations (CTX Annual Conference, 2008, 4th July)<sup>10</sup>. The state government provides permission to the terminals for the development of facilities, and grants allowance to use the land. International shipping line companies need to obtain permission for operation from both the local and national government authorities. Customs and quarantine authorities at the ports are in charge of inspecting people for smuggling and goods for the containment of elements that are dangerous to health. The feeling that the government heavily controls the shipping industry in SEZ-1 has been shared by all the managers interviewed during Study 1. The Head of Corporate Communications (HCC) formulated this idea by saying that “the government in China is the key influencer [of business]”. Further on in the interview she added:

The government in China plays a very important role... The government actually is a leader but they don’t understand the business... (CTX\_HCC)

Therefore, on the one hand, international companies have the opportunity, permission and support to operate in SEZ-1, while on the other, they are exposed to lengthy and complicated

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<sup>10</sup> The details of the Annual Conference observation can be found in Appendix 6c.

procedures, which are not always understood by them and increase their costs. One of the reasons for this mismatch between government objectives and their realisation can be formulated as *remaining protectionism*. Indeed, despite its pronounced goals, the ways of governmental operation are slow to change. According to the CTX CEO, the main obstacle is the “the mentality of government officials” who are reluctant to give away the power they used to possess, which leads to trade prevention rather than facilitation.

The key problem resulting from the duality in the government’s position is the image of inefficiency of the terminals. According to CTX’s CEO, customers do not necessarily separate between the terminal operations and government regulations. Indeed, even if the container terminal is efficient, the inefficiency of cargo clearance lowers the overall quality of service. The CEO of CTX has expressed this idea with a touch of irony:

Shipping lines come to the port and ask for [...] cargo clearance [...] So quarantine – that’s not about service as much as meeting the requirements. Then, inspection, ship clearance: the ship comes in – it is got to be reported [it] has to be cleared. [...] Shipping lines ask for these services, for operations; we provide services using our operations, but apart from us what is surrounding us is another layer of the red tape which is government. They are not providing services, they control, protect the country [...] from invaders! (CTX\_CEO).

The discussion above highlights key characteristics of SEZ-1: the willingness and efforts of the government to attract foreign companies to the region, and at the same time the reluctance of the local government officials to relax the clearance procedures for these companies.

#### 4.3.2.2. The evolution of the shipping industry

The volumes handled by the terminals in SEZ-1 have been growing over the last 15 years (see Table 4.3.<sup>11</sup>). It can be concluded that, starting from 1997, despite complicated administrative procedures companies have been actively bringing cargo to terminals in SEZ-1 from Hong Kong. Among the key reasons for this have been the lower costs for cargo handling and the migration of cargo sources formerly located in Hong Kong to China.

**Table 4.3. Annual Throughput in SEZ-1 1994-2010 (in thousand TEUs<sup>12</sup>)**

Year	SEZ-1 throughput (000 TEUs)	CTV throughput (000 TEUs)	CTV markets share	CTW throughput (000 TEUs)	CTW market share	CTX throughput (000 TEUs)	CTX market share
1994	179	87	49%	9	5%	13	7%
1995	284	90	32%	31	11%	106	37%
1996	589	90	15%	50	8%	354	60%
1997	1,148	214	19%	150	13%	638	55%
1998	1,952	463	24%	203	10%	1,038	53%
1999	2,978	574	19%	350	12%	1,588	53%
2000	3,993	720	18%	450	11%	2,148	54%
2001	5,076	751	15%	644	13%	2,752	54%
2002	7,614	884	12%	1,140	15%	4,182	55%
2003	10,652	1,527	14%	2,500	23%	5,258	49%
2004	13,655	2,241	16%	3,130	23%	6,260	46%
2005	16,197	2,664	16%	4,080	25%	7,581	47%
2006	18,469	2,583	14%	5,000	27%	8,865	48%
2007	21,099	3,312	16%	5,730	27%	10,016	47%
2008	21,426	4,107	19%	5,700	27%	9,683	45%
2009	18,250	-	-	4,578	25%	8,579	47%
2010	22,510	3,980	18%	-	-	10,134	45%

(Table 4.3 has been derived on the basis of SEZ-1 Port Authority documents and CTX, CTW, CTV annual throughput data)

<sup>11</sup> 2008 and 2009 are exceptional years when the growth has been low or even negative due to financial crisis

<sup>12</sup> TEU – twenty-foot equivalent unit – a container which is 20 feet long.

The industry has been constantly changing: it has been struggling to take off, coping with tremendous growth or dealing with financial crisis. Several periods in the development of SEZ-1 can be identified (see Table 4.4.)

**Table 4.4. Shipping industry development 1994-2010**

<b>Period</b>	<b>Industry development</b>
1994-1996	Initial development, takeoff
1997-2006	Growth
2007-2009	Reduction in growth and decline
2010	Industry recovery, growth renewal

The competitive environment and relationships between key actors have also gone through changes. Prior to 1997, all terminals in SEZ-1 have been struggling to get any throughput from shipping companies. In 1997 the industry took off: trading companies moved their cargo sources to SEZ-1 from Hong Kong and shipping lines have been in fierce competition for their cargo, offering increasing numbers of services. Thus, until 2007 the demand for port services exceeded supply. This has created favourable conditions for terminals' development, out of which CTX became an indisputable leader (see Table 4.3). On the one hand, this situation on the market has been called a "dictatorship" by CTX's Port Development manager, since high demand shifted the balance of power to terminals. On the other hand, the manager noted that terminals require information and constant communication with their customers in order to carry out developments. Finally, by the time of the research two changes had taken place: industry growth had declined and the competition between terminals had

grown. An important reason for the growth of competition was a trend towards reduction in the number of shipping line companies and increased concentration of these due to alliance formations (UNCTAD, 2010). Thus, the competitive pressure on all the terminals had increased. At the same time, shipping line companies found themselves in perpetual competition for trading companies' cargo. In turn, trading companies, for cost reasons, continued moving their facilities further inland, thus increasing the transportation challenges for freight forwarders, shipping lines and terminals (Presentation to international students by CTX\_HCSD, 22 July, 2008).

In addition to the competition and complicated administrative procedures in SEZ-1, the relationships between the key actors are also affected by trends in shipping (Loo and Hook, 2002).

#### 4.3.2.3. Trends and factors affecting the shipping industry in SEZ-1

The major global trend affecting the shipping industry is the increasing size of vessels. While in the 1960s the first container vessels handled 1,000 TEUs, now vessels can handle up to 15,000 TEUs (American Bureau of Shipping, 2009)<sup>13</sup>. According to Loo and Hook (2002), the trend is caused mainly by the opportunity to save costs by using larger vessels and thus to increase shipping lines' competitiveness. In addition to the alliance formation and growing vessel sizes, shipping line companies have also started to develop routes that call at fewer ports. For container terminals, these trends are likely to mean that they need to match the

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<sup>13</sup> "ABS Record: Emma Maersk". American Bureau of Shipping. 23 July 2009. [http://www.eagle.org/safenet/record/record\\_vesseldetailsprinparticular?Classno=06151181](http://www.eagle.org/safenet/record/record_vesseldetailsprinparticular?Classno=06151181).

growth of shipping lines and to have appropriate facilities for handling large vessels, as well as efficient transportation management.

Another trend is increased interest of trade companies in the “green” solutions caused by the concerns of climate change. Indeed, garment, electronics and toy companies (e.g. EUH in this study) have been mentioned in the course of interviews as those most interested in green processes. Despite the lack of formal environmental regulations in the container shipping industry, according to UNCTAD (2010), the “shipping industry will be expected to play its role in addressing the climate change challenge” (p.21). While the role of industry actors in relation to this issue is not clear, CTX managers have been found to believe that both terminals and shipping lines will move towards developing green practices to stay competitive.

The shipping community represents a relatively small circle of actors, and the key players in the market know each other on both organisational and personal levels. Although the industry is a strict business environment, it was found that word of mouth is an important part of the interactions between key actors. On the one hand it is natural within Chinese culture that a recommendation from “friends” to use a particular terminal is an important factor in making such a business decision. On the other hand, personal recommendation is seen by port professionals as an additional competence in SEZ-1, where the competition between the terminals is constantly growing.

#### **4.4. Study 1: understanding the focal company**

##### **4.4.1. CTX: key facts, location and focus**

This part of the research focuses on understanding the focal company – CTX (see Table 4.5.).

**Table 4.5. CTX: key facts**

Characteristic	CTX
Structure	A joint venture between the Chinese government and international port group (CTX parent)
Years in business	≈25
Territory	373 hectares
Number of berths	16
Water depth	14-17.4 meters
Full-time staff	>2500
Customer range	From small feeder companies to top multinationals
Regional market share	≈45%
Rank among Chinese companies	Among the top 100 enterprises for import/export in China
Rank among terminals	First of the top ten container terminals in China
Awards	Excellence of Service, Development and Contribution to Business Development in South China

*(Source: CTX communication documents)*

CTX has an advantage in terms of its location, as in contrast to its competitors it has natural deep water which is suitable for heavy “mega-vessels” –ships over 8,000 TEUs (CTX’s general presentation to customers, 2009). This advantage has been crucial in the formulation of CTX’s strategy – to become “the preferred port for mega container vessels” (CTX website).

The location of CTX, however, has disadvantages too, as unlike those of CTX's competitors it does not have direct access to river transportation channels, which requires inland transportation from and to the terminal. Indeed, since companies are continuously moving their cargo sources further inland, transportation is a challenging issue for CTX. In order to overcome this challenge CTX has been improving its truck transportation and developing alternative transportation channels such as railway.

#### **4.4.2. The competitive position of CTX**

As has been mentioned in the previous section, CTX has been the leader in the container shipping market from 1996, and has been growing every year with its only slow down being due to the world economic crisis 2008-2009. Commenting on the success of CTX in an article named "What's our purpose?" published in the local SEZ-1 journal, the CTX\_CEO argued:

Since opening for business, we have ensured that we 'walk the talk' and [have] provided a service that is valued by our customers. In the past 10 years, we survived and ran as fast as we could to keep up with the [region's] speed (CTX\_CEO, 2005, p.6)<sup>14</sup>.

According to the statement of the CEO, the goal of the company has been to maintain growth rates in line with those of the region; this has been achieved, as can be seen from Table 4.6. Mirroring the development of SEZ-1, CTX has managed to obtain around 55% of the market share, which remained almost unchanged until 2003.

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<sup>14</sup> The quotation is taken from interview of CTX\_CEO (2005), for the article "What's our purpose?", published in the local journal XXXX, Vol.1, pp. 6-8. The name of the journal contains the name of the region and company and therefore is disguised to maintain anonymity



**Table 4.6. Terminals' throughput and market share growth rates 1995-2010**

Year	SEZ-1 throughput (000 TEUs)	Industry growth rate	CTV throughput growth rate	CTV Market share	CTW throughput growth rate	CTW market share	CTX throughput growth rate	CTX market share
1994	179	-	-	49%	-	5%	-	7%
1995	284	59%	3%	32%	244%	11%	715%	37%
1996	589	107%	0%	15%	61%	8%	234%	60%
1997	1,148	95%	138%	19%	200%	13%	80%	55%
1998	1,952	70%	116%	24%	35%	10%	63%	53%
1999	2,978	53%	24%	19%	72%	12%	53%	53%
2000	3,993	34%	25%	18%	29%	11%	35%	54%
2001	5,076	27%	4%	15%	43%	13%	28%	54%
2002	7,614	50%	18%	12%	77%	15%	52%	55%
2003	10,652	40%	73%	14%	119%	23%	26%	49%
2004	13,655	28%	47%	16%	25%	23%	19%	46%
2005	16,197	19%	19%	16%	30%	25%	21%	47%
2006	18,469	14%	-3%	14%	23%	27%	17%	48%
2007	21,099	14%	28%	16%	15%	27%	13%	47%
2008	21,426	2%	24%	19%	-1%	27%	-3%	45%
2009	18,250	-15%		-	-20%	25%	-11%	47%
2010	22,510	23%		18%		-	18%	45%

*(Table 4.6. has been derived on the basis of SEZ-1 Port Authority documents and CTX, CTW, CTV annual throughput data)*

However, to achieve this success CTX has been going through a challenging path: in the mid-1990s it struggled to attract customers; in the early 2000s it needed to cope with growth; and in 2008 it had to keep its leading position despite the financial crisis and the increased competition in the industry. Although CTX has always been the leader within the market, between 2002 and 2010 its market share dropped by 10%, while those of CTW and CTV have gained 10% and 7% respectively. Thus, by 2008, under the industry's growth decline and

competitors catching up, CTX has been under significant pressure to maintain its leading position.

#### **4.4.3. CTX's approach to customer relationships**

##### 4.4.3.1. Two groups of CTX's customers

An unexpected finding arose from Study 1. In contrast to the assumption that the terminal's customers are shipping line companies, it was revealed that all CTX managers consider **two** groups of businesses as the company's customers. The first group is represented by shipping lines, which are CTX's direct customers, while the second group consists of trading companies and freight forwarders, who are the end users of the terminal service. CTX management strongly believes that some end-user companies can *influence* shipping lines in their choice of a terminal. This is illustrated by the words of HCC.

We don't have a direct contract with EUH or with the big buyers [...] but actually they have a lot of influence on the shipping lines [...] especially those leading, big buyers.

There is a joke: the guy who is in charge of the logistics of EUM<sup>15</sup> talks to the CTX CEO: 'If you want the shipping line to do anything, you tell me'. (CTX\_HCC)

Clearly, it seems from the words of HCC that CTX is targeting the end users to obtain additional power over the shipping line companies. This CTX strategy was found to date

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<sup>15</sup> One of the largest retail companies in the world.

back to the first years of its operation, when the company struggled to get any throughput since neither international shipping line companies nor end users wanted to use CTX. Thus, two departments have been established at CTX for managing customer relationships and promoting the company: a commercial department for shipping lines, and a marketing department for end-user companies (Company tour, 30 May, 2008).

#### 4.4.3.2. CTX's initiatives

Since the beginning of its operation, CTX set a goal to become a “world class terminal in economic contributions, service and people development” (CTX Mission Statement, 1995). Indeed, it follows from CTX's communication documents that the company has always placed a lot of emphasis on being a customer-oriented organisation (See Box 4.2.).

#### **Box 4.2. Extracts from CTX's communication documents – different years**

“Establish customer oriented culture and quality processes” (CTX Business Plan, 1994).

“Meeting customer expectations and service demands in a cost effective manner” (CTX Business Plan, 1999).

“The improvement efforts will concentrate on shortening time for vessel clearance and empties clearance, as well as on operating details in international transhipment” (CTX Business Plan, 2001).

“In an effort to achieve higher cost efficiency, carriers are launching larger vessels. How can we as terminal operators be more supportive? What can we do to increase the effectiveness of

their ‘mega vessel’ strategy? How can we as logistics providers help the community meet ‘global logistics’ requirements?” (CTX\_CEO, 2005, p.7 SEZ-1 local journal).

“We know our customers in South China want cost effective world class efficiency in terminal handling. They want their ships to be serviced efficiently without delay and their cargo moved smoothly without hassle. These, to me, are the basics” (CTX\_CEO, 2005, p.6-7 SEZ-1 local journal).

The aspects that feature most in CTX’s statements are related to provision of high quality, error-free services for shipping lines and especially mega-vessels, and also extending the scope of services beyond that of a terminal operator. Indeed, the CEO calls CTX a “logistics provider” rather than just a terminal, and the HCC confirmed that CTX has been trying to position itself as the centre of logistics with a wide scope of services for both direct and indirect customers. This idea has become the strategic vision of the company and was formulated by the CTX CEO in his interview with the local SEZ journal, which was published as the article “Putting the Service into Customer Service”, extracts from which are provided in Box 4.3.

#### **Box 4.3. Extracts from the interview of CTX CEO to the local SEZ-1 journal**

“As the port operator we are mainly engaged in providing a berthing, loading and unloading service, in recent years this fundamental has evolved as the shipping industry has become a vital component in the logistics supply chain. We cannot simply confine our role to the traditional services associated [with] handling a vessel, but must extend our services beyond the confines of the port” (CTX\_CEO, 2006, p.7)<sup>16</sup>.

“Today our customers require not only loading and unloading services, but also information, logistics solution[s], technology support. It’s our objective to fulfil these needs and in so doing, maintain long-term partnerships with our customers” (CTX\_CEO, 2006, p.7).

In light of the growing competition between terminals in SEZ-1 and the increasing concentration of shipping line companies, as discussed earlier, the words of the CEO can be interpreted as a realisation that traditional terminal services are no longer sufficient to keep a company competitive, and additional actions are required to maintain partnerships with customers. Indeed, over the years CTX has been involved in a number of customer-oriented initiatives. An example is its cooperation with customs: starting from 2002 CTX succeeded in signing a series of Memorandums of Understanding with Customs and Frontier inspections (CTX internal documents 2002-2003). Other examples are responding to the “green” demands of end users, creation of the Environmental Department in CTX in 2006 to work on environmentally friendly solutions, and the creation of user-friendly IT platform to ease the process of cargo tracking for customers. In relation to the end users, HCC called CTX’s

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<sup>16</sup> The quotation is taken from an interview with the CTX CEO (2006) for the article “Putting the Service into Customer Service”, published in local journal XXXX, Vol.2, pp. 6-7. The name of the journal contains the name of the region and company and therefore is disguised to maintain anonymity.

approach “experience marketing”, meaning that CTX tries to create a chain of positive experiences for its customers and, through this, maintain relationships with them.

It can be concluded that CTX has been proactive in trying to create what it calls long-term partnerships with its customers. The following section discusses managerial attitudes towards the possibility of developing customer partnerships, and the characteristics of these.

#### **4.4.4. CTX-customer partnerships**

The main or direct customers of CTX are shipping line companies. As of 2008, 47 shipping lines, including the world top 20, had been working with CTX (CTX’s general presentation to customers, 2009). The section above emphasised the relational approach of CTX to its customers. Moreover, as follows from the words of the CEO, quoted above, CTX aims to build long-term *partnerships* with its customers. This intention is also communicated to the shipping community in CTX’s publications. For example, in its online publication “Exceeding Expectations” (December, 2008) it is stated that “CTX has business *partnerships*<sup>17</sup> with 36 shipping lines, providing over 80 weekly services that span the globe”.

However, despite the pronounced approach, CTX managers recognise that not all relationships their company has with customers are partnerships. For instance, CM-1 explained that there are small Chinese feeder shipping lines and big international shipping lines. According to CTX CEO the small feeder companies cannot be really considered by

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<sup>17</sup> Author’s font

CTX as partners, since their volumes are too small and their needs do not go beyond traditional cargo loading and unloading. Instead, these are big international companies which are targeted by CTX.

#### 4.4.4.1. CTX managers' perceptions of a partnership

Based on the evidence in CTX's communications, respondents were asked to provide their understanding of the term *partnership* in relation to their industry. First of all, respondents were asked to provide their associations with a buyer-seller partnership. Based on the list of partnership attributes developed on the basis of the literature, the respondents needed to rank the attributes from the most to the least relevant to partnerships<sup>18</sup>. Table 4.7 presents the rankings obtained. The attributes with the highest average rankings are highlighted in bold. As can be seen from Table 4.7, buyer-seller partnerships are mainly associated with long-term, mutually beneficial, trusting, collaborative and committed relationships, where parties have a common vision. Another highly ranked association was "marriage".

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<sup>18</sup> As mentioned in the methodology chapter, in addition to interviews participants were given exercises, details of which can be found in Appendix 1b.

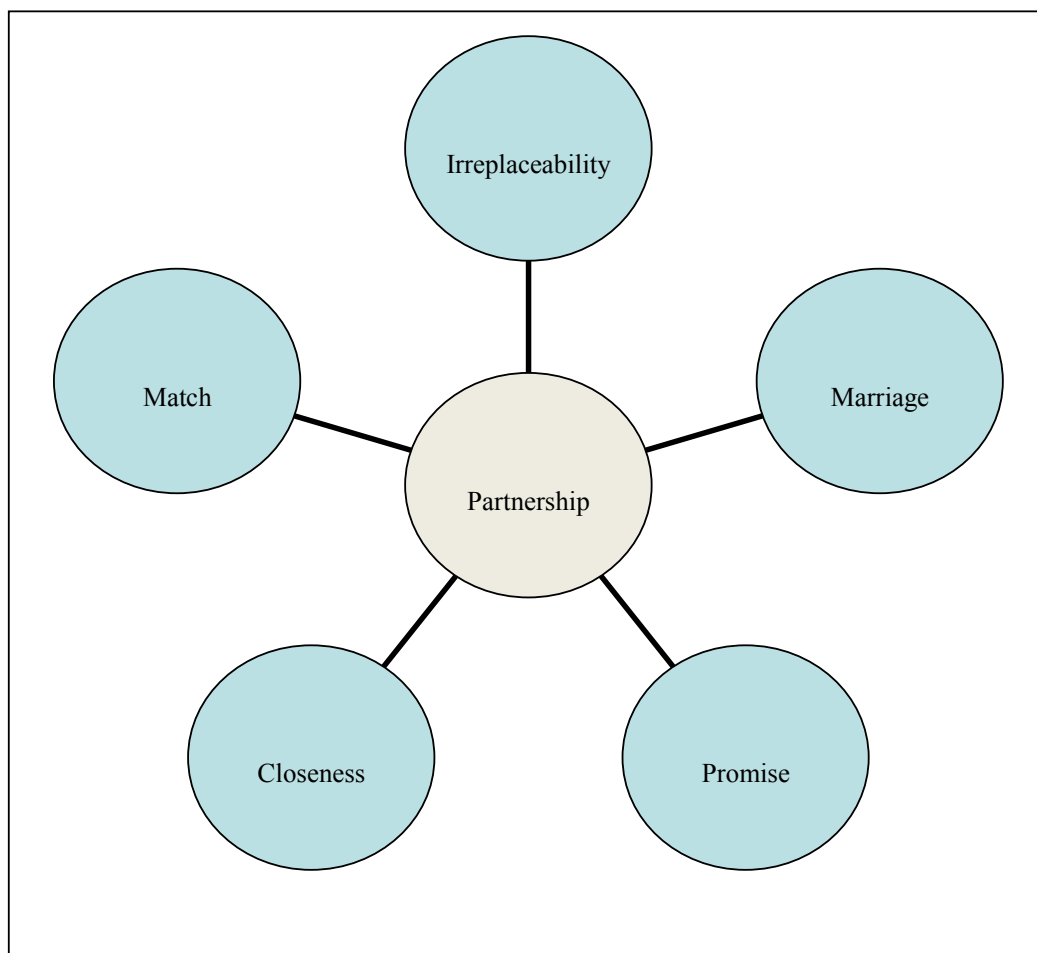
**Table 4.7. Managerial associations with partnership**

<b>Business Partnership is:</b>	<b>CM_1</b>	<b>CM_2</b>	<b>CM_3</b>	<b>HM</b>	<b>MM_1</b>	<b>MM_2</b>	<b>MM_3</b>	<b>HCC</b>	<b>OM_1</b>	<b>OM_2</b>	<b>PDM_1</b>	<b>PDM_2</b>	<b>CEO</b>	<b>Rank average</b>
Purposive	1	9	10	7	7	9	8	2	7	3	7	5	8	6.4
Owned by parties	10	6	9	8	8	6	7	7	10	5	8	4	9	7.5
<b>Long term*</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>4.5</b>
Profit sharing	7	2	8	10	6	10	5	6	6	10	9	7	3	6.8
<b>Mutually beneficial*</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1.2</b>
Synergy generating	6	4	5	6	4	7	10	8	4	9	6	2	4	5.8
<b>Trust based*</b>	<b>4</b>	<b>8</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>3.5</b>
Reliance based	9	7	6	9	10	4	6	4	3	4	3	8	10	6.4
Loyalty based	8	10	7	5	9	8	3	10	9	7	10	10	6	7.8
Commitment based	3	3	4	4	5	3	4	5	8	8	4	9	7	5.2
<b>Business Partnership is:</b>	<b>CM_1</b>	<b>CM_2</b>	<b>CM_3</b>	<b>HM</b>	<b>MM_1</b>	<b>MM_2</b>	<b>MM_3</b>	<b>HCC</b>	<b>OM_1</b>	<b>OM_2</b>	<b>PDM_1</b>	<b>PDM_2</b>	<b>CEO</b>	<b>Rank average</b>
<b>Collaboration*</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>2.9</b>
Participation	6	5	5	5	7	5	4	6	7	6	5	7	7	5.8
Association	7	6	9	9	9	8	9	8	9	2	7	9	8	7.7
<b>Commitment*</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>3.5</b>
Cooperation	5	8	8	1	2	1	1	5	3	1	6	6	5	4.0
<b>Common vision*</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>3.4</b>
Asset	9	9	6	8	6	9	6	9	8	9	9	8	3	7.6
<b>Marriage*</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>3.3</b>
Complementarity	8	7	3	4	8	3	8	7	6	8	8	2	9	6.2



In the course of the interviews which followed the associations exercise, the respondents were further asked to talk about partnerships in relation to their industry. The key associations derived from the interviews are presented on the diagram developed through NVivo and shown in Figure 4.5.

**Figure 4.5. Managerial associations with partnership at CTX**



As can be seen from Figure 4.5, the interviews confirmed “marriage” as one of the associations with the term. The Head of Marketing Department compared building a

partnership with “finding a second half”, while Port Development Manager-2 compared it with a “happy marriage”. Three other respondents associated partnerships with “promises”. Since marriage is generally seen as a long-term relationship, respondents’ associations of a partnership with it can be partially explained by the long-term nature of relationships in the shipping industry. At the same time both, “marriages” and “promises” are usually binding commitments, creating ties between parties. Thus, it can be concluded that a partnership is perceived by the respondents as a relationship where the parties are tied to each other for the **long term**. Moreover, partnerships were often referred to as **close** relationships, which may explain the high rankings of trust and collaboration as associations with partnerships.

Other key associations extend respondents’ perceptions of partnerships beyond long-term duration and closeness. As can be seen from the quotations below, according to CM\_1 and the HCC, partnerships are established with shipping lines, which are considered to be the most *important* customers; these partnerships are not only long term, but also demonstrate the *match* in long-term objectives. The “match” goes in line with the “commonality of vision” and “mutuality of benefits” that were highly ranked by the respondents as associations with partnerships.

[A] partnership [...] is something we don’t have with all of [the shipping lines. A partnership involves] more understanding and more match[es] in long-term [...] objectives [and] people (CTX\_CM\_1).

You choose [shipping lines] to be your partners [...] not every shipping line will be partners [...] In the broad sense you can treat everyone as a partner [but] it’s very natural [that] you classify which clients are more important for you [...] and you want to set up partnerships with those guys (CTX\_HCC).

The “match” between the objectives of CTX and its buyer, or “commonality of vision”, might not appear in all relationships, even if they are long-term. Therefore, it can be concluded that respondents see partnerships as more than just long-term relationships. Indeed, it is possible, according to the respondents, to have long-term relationships which are “forced” and, therefore, are not partnerships. Thus, it can be concluded that respondents believe partnerships to be long-term and **strategic** relationships, which also distinguishes them from other relationships. This point can be illustrated by the words of HCSD:

There is some definite difference between partnerships [and other relationships.] Partnerships are more strategic, relationships are on a day-to-day basis, they are not strategic [...] partnerships [are] a direction[al] thing [...] relationships [are] not [...] it's about day-to-day operation [...] and you can find both of these with our shipping lines (CTX\_HCSD).

Finally, partnerships were said to be developed only with “important” shipping lines or “big” end users, as mentioned by HCC (see section 4.2.3.1 for the quotation), and also were labelled by two respondents as “irreplaceable” relationships. Indeed, according to PDM\_1, partnerships can offer benefits which cannot be found elsewhere, which contrasts with the perception of non-partnership relationships by CTX\_CM\_1 as based on “provision of service and getting money in return”.

[A] partnership is different [...] ‘can I offer you something which others cannot?’, something which is not replaceable by others [...] Why should I use you? Apart from good friendship (CTX\_PDM\_1).

It thus follows from the interviews that partnerships are perceived by the respondents as very special relationships which, despite the pronounced intention of CTX, are not developed with all its customers and are, in fact, **rare**.

Based on the discussion above, it has been revealed that partnerships in the shipping industry are perceived by the managers of CTX as long-term, close, strategic, and above all rare relationships.

#### 4.4.4.2. Actors' behaviours in partnerships

##### *4.4.4.2.1. CTX's behaviour*

Since partnerships have been found to be rare, the respondents were asked about the differences in the parties' behaviours in partnerships versus other relationships. The respondents mentioned differences in **resource allocation** to the needs of different customers. According to the CEO, CTX's approach to all customers is to "provide the things [CTX is] required to do in a quality manner and to charge a reasonable price", while for partners there is "a wider scope with more elements" in terms of CTX's efforts. This opinion is shared by HCSD, who stressed that resources which are limited are allocated only to partnerships.

We have limited resources and we use them for our partnerships [...] Everybody understands that [...] it's a very obvious thing: there are limited resources and we only offer [them] to those we consider as our partners, those who are willing to cooperate during the bad time[s] (CTX\_HCSD).

Indeed, the Head of the Marketing Department described a situation when SLM needed an urgent service, which another customer would be unlikely to be provided with (see Box 4.4.)

**Box 4.4. SLM's delayed vessel operation**

All the customers of CTX are required to provide the following information: vessel schedules one month in advance and an advance notice of arrival times, and loading and unloading quantities of cargo. Based on this information, CTX plans berth allocation and informs Customs and Frontier Inspections about the vessel operation plan. If the vessel is delayed, its allocated berth may be occupied and, thus, the vessel needs to wait for the next “berth window”. The average number of quay cranes deployed for a mega-vessel operation is seven, and the average time taken to unload a mega-vessel when it arrives on time is 15 hours (Berth Allocation Department Presentation for visitors, attended on 7 July 2008).

However, The Head of Marketing Department described a situation when the delayed shipping line did not wait for the next window and was served straight upon arrival.

“One ship [...] got delayed [and] we [were] supposed to finish it in 24 hours. [SLM] wanted [us] to finish [it] in 15 hours. So our people helped them, we [got] them more equipment and helped them to finish in 15 hours. We have been doing this [...] like for occasions [...] and if we need something they do this to us [...] We [have] scratch[ed] their back they [have] scratch[ed] our back in the last 14-15 years” (CTX\_HM).

Clearly, the fact that CTX “[got] them more equipment” for unloading SLM’s cargo faster meant that the equipment – the quay cranes – were moved from unloading other vessels,

(although this was not mentioned directly by HM). Indeed, according to CM\_3, SLM and other *big* customers are given priority:

From the beginning SLM was chosen as the most important client. In terms of other shipping lines we offer some special treatment. Big shipping lines – we should always put them in the first priority (CTX\_CM\_3).

In fact, these examples and quotations show that not only does CTX allocate its limited resources to partners, but that partners are getting somewhat **preferential treatment**.

#### *4.4.4.2.2. Customers' behaviour*

On the customer side, CTX's managers emphasised greater cargo volumes brought to the terminal, greater information sharing and greater cooperation coming from its partners than from other customers.

OM-2 mentioned "two levels" of information sharing: general and confidential. Two examples of "second-level" information sharing are provided in Box 4.5.

#### **Box 4.5. Information sharing episodes**

In June 2008, SLE informed OM-2 that their big customer was changing the cargo source from China to Vietnam, which meant that SLE had to change its route and, thus, might have to switch from CTX to another terminal for some of its services. This information

was confidential, since no official announcement about the change of the cargo source had been made by the carrier at that point.

In 1994-1995 SLM's managers showed CTX managers their plans for mega-vessel development and provided some specific information about the sizes of the vessels and their draughts. SLM was the only customer to provide CTX with this kind of information at the beginning of CTX's operations. Based on this information, CTX had a better idea of how to develop its berth facilities.

“They came knocked on the door [...] we said: ‘I saw your plan with new ships, well, according to your plan we trust you’. And we put money into this and we built a new terminal” (CTX\_HM).

The two information episodes described above are rare, since the information communicated is of a very sensitive nature. Indeed, if there had been any information spill, SLE would have been putting at risk the trust of its customer by passing the information to CTX, while SLM could have lost its competitive advantage.

The first example can also be related to what has been called by several CTX managers the provision of “the right of first refusal” (CTX\_CEO), which refers to the provision of an opportunity for CTX to meet the changed conditions of the buyer before the buyer changes service provider. Indeed, the non-provision of such a right is regarded by CTX as non-partnership behaviour. Several respondents believe that CTX's partnership with SLK broke because SLK did not provide such a right, and simply switched to a cheaper service provider after years of partnership with CTX<sup>19</sup>. At the time of the research, the annual throughput of

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<sup>19</sup> Details of this partnership breach are provided in Study 2.

SLK in CTX was almost 10 times less<sup>20</sup> than the throughput of SLM (CTX internal data).

Finally, according to CTX's CEO, partnerships are reciprocal and cooperative relationships, where customers behave like "partners" rather than "buyers", and also undertake cooperative actions rather than just accepting CTX's initiatives. However, despite the opinion of the CEO, the respondents hardly provided any examples of the "reciprocal" actions of partners, which raised the question of whether reciprocity was real or just desirable for CTX.

#### 4.4.4.3. CTX's engagement in partnerships: motives and actions

##### *4.4.4.3.1. First partnerships of CTX*

In the beginning of CTX's operation, the managers were concerned that, despite the advantages in terms of cost of service, international companies were reluctant to change from Hong Kong terminals, since they were not familiar with the Chinese environment. The biggest problem, according to CTX's internal reports 1994-1996, was the inefficiency of Chinese customs. According to CTX's report to the board of directors in July 1994, the efficiency of unloading the scant cargo that was shipped through CTX at that time was very poor and put the very existence of CTX under question. An extract from the report is presented in Box 4.6.

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<sup>20</sup> The figures for SLM's and SLK's throughputs at CTX are provided later on in the Table 4.11.



**Box 4.6. Extract from CTX's report to the board of directors, 8 July, 1994**

“We run into serious problems with regard to Frontier Inspections. On one occasion, we were informed by the Frontier Inspection Unit that they would not handle ships berthed at the container berths. Their jurisdiction, they told us, is confined to the 10,000 ton berth only. If that is true, that would mean that we could not operate the terminal at all” (CTX, report to the board of directors, 8 July, 1994).

CTX thus needed to find a way to overcome this barrier, and started a number of initiatives, among which was communication with customs, but also proactive communication with big shipping lines. Targeting companies like SLM, SLK and SLB, CTX undertook a number of initiatives to show its desire to build partnerships with them. SLM was offered a share in CTX, and all three customers were offered a discount of around 20% (CTX internal data).

CTX's engagement in building these partnerships seems to have been stimulated by the company's desire to increase its business and, in fact, **to survive** on the new market. A subsequent motive for targeting these companies, according to HCC, was to reach the wider shipping community.

You know people [were] used to use Hong Kong port. [They did] not like to change, to take the first action. So we [had] some partnership[s] to promote [...] China and of course in our case we promoted CTX (CTX\_HCC).

We actually [wanted to] have advantage to attract the shipping lines [...] you know [...] business is sometimes a bargain [...] so we have more bargaining power if we have partnership with our big buyers (CTX\_HCC).

As follows from the quotations above, CTX's management believed that if the reputed companies, like SLM and SLK, started to use CTX, other companies would see this as a message that CTX was a capable terminal, and would follow as well. The same motive was recognised in CTX's actions by the press. Following the first call of SLM in CTX, *South China Morning Post*<sup>21</sup> commented on it as follows: "SLM leads the way as CTX tries to attract more lines to new port – CTX all ready for business" (*SCMP*, 8 July, 1994).

Following this first call, SLM remained the only CTX customer and partner throughout 1994-1995. It can thus be concluded that in the beginning of its operation the key motives for CTX to develop partnership with SLM was survival and adding to CTX's reputation.

#### *4.4.4.3.2. CTX's partnerships with end users*

CTX continued to seek partnerships with big customers even after its business took off in 1997. In particular, it approached end-user companies. In the beginning of CTX's operations, the idea was to promote CTX to big end users and make them influence shipping lines to use CTX's services. According to all marketing managers interviewed, obtaining greater influence over shipping lines through end users became even more important in the 2000s, since shipping lines started to engage in alliances, the competition between the terminals increased and, from 2005, CTX's market share began to drop. This point is illustrated by the quotation below.

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<sup>21</sup> Hong Kong newspaper in English, viewed on 30 May 2008 during the tour at CTX.

The number of potential buyers is diminishing, because there are more and more mergers between carriers [while] the number of terminals is in over supply. So that creates a very difficult situation for terminals (CTX\_MM\_2).

MM\_2 explained further that, due to the nature of the industry, terminals have a rather narrow customer base, which, under the competitive conditions described above, is not “healthy” for a company.

Terminal business is just business between carriers and terminal. It is a single-income source. [A] single-income source is not healthy for a company. If inevitably you rely on a single-income source you have to do something to make sure that your customers will not stay away from you (CTX\_MM\_2).

Therefore, in order to “do something” to ensure that shipping lines continued using CTX, the company started to approach the end users in the strong belief that it was them that made the choice of terminal, rather than the shipping line companies. MM\_2 explained that, although end users do not “officially” choose terminals, if they expressed their preferences to shipping lines, the latter ones would face a certain “psychological barrier” to change the terminal.

We try to tell end users that they have their choice. If you have your [favourite] terminal [you] may get a more efficient supply chain. So [...] my customers [are] to slow down the migration [of shipping lines], to create [...] a psychological barrier [...] in terms of money to prevent my [direct] customers from going away (CTX\_MM\_2).

A similar opinion was expressed by MM\_3, who also argued that, since end users can influence shipping lines, it is important to “engage” them before the competitors do. Thus, having a partnership with an end user can help CTX to maintain its direct customers and, thus, its market share. Therefore, in contrast to partnerships with shipping lines which were motivated by the need to **survive**, partnerships with end users seem to be motivated by the need to **maintain competitive advantage** through **obtaining influence over shipping lines**.

In addition, the influence on shipping lines was found not to be the only reason for partnering with end users. HCC characterised the shipping industry as a “small circle” which is dependent on “word of mouth”. MM\_2 expressed the idea that partnerships grow out of personal relationships, where a personal reference serves as a starting point. Finally, HM expressed a similar idea in relation to end users:

If [end users] have any problem in using our terminal they ask for our help and give us [...] feedback. And they refer to their friends, their counterparts to use our terminal (CTX\_HM).

Thus, several managers in the company share the idea that whatever treatment end users are getting from CTX, they are going to spread the word about it in the shipping community. Therefore, selecting big end-user companies as partners, CTX managers expect them to provide a positive reference to others. Thus, it can be concluded that, similarly to partnerships with big shipping lines, partnerships with big end users are also believed to contribute to CTX's **reputation**.

Similarly to partnerships with carriers, in the 1990s the marketing managers were proactively emphasising the incentives of cost savings to end users. Indeed, according to HCC, the end users could save up to \$400 per container by choosing CTX over the Hong Kong terminal. However, according to the Head of Marketing, the savings for end users reduced over time and CTX started to emphasise other “repetitive benefits” it could deliver:

At the very beginning we assisted [end users] to use CTX for them to save money [...] from [...] day one, probably from 1995 to 1998, 1999. And now they are continuing using it, this became like a long marriage. The saving is not there anymore [but] we need to give them some other repetitive benefits (CTX\_HM).

The “repetitive benefits” have been found to vary. First of all, by the early 2000s CTX was already able to provide its end users with a greater choice of shipping lines than their competitors, since the world’s top shipping lines like SLM, SLO and SLA were using only CTX in the SEZ-1 area. Secondly, as mentioned earlier, CTX undertook a number of end-user-oriented initiatives. The examples CTX managers provided in the interviews referred to CTX’s cooperation with customs, working on traffic reduction in the terminal area to ease the transportation from end-user factories to and from the terminal (indeed, at the time of the research CTX had been participating in the construction of a new road from the terminal to the factory area of SEZ-1), and the opening of an environmental department to work on greener procedures.

#### 4.4.4.4. Personal relationships in partnerships

Although all the respondents regarded personal relationships, or *guanxi*, as part of Chinese culture and Chinese business, their opinions differed with regards to the importance of personal relationships in partnerships. As mentioned earlier, MM\_2 claimed that partnerships are in fact based on personal relationships, while HCC argued that personal relationships are “very typical[ly] Chinese”, and provided an example of a partnership breach because of a personal judgement (see Box 4.7).

#### **Box 4.7. CTV–SLC partnership breach**<sup>22</sup>

In 1998 SLC – a Chinese company – was calling at CTV – a Chinese terminal – on a weekly basis, bringing over 5,000 TEUs. However, as can be seen from SLC’s Annual Reports, between 1999 and 2002, it did not bring any cargo to CTV and increased its throughput at CTX. This period in time was referred to by HCC:

“Maybe you can treat it as a very ridiculous case, [but] more than 10 years ago SLC had a lot of service in CTV and in one year CTV tried to increase the price for 5 Yuan. I mean 5 Yuan – that means nothing, less than 1 dollar. Because of the 5 Yuan SLC felt very angry about that and they left. This is a very important business decision because of 5 Yuan, because the head of SLC wasn’t happy about that [...] only because the guy who is in charge [was] not happy about that [...] so it is personal [...] it’s typical[ly] personal [...] In [the] business world if I want to increase [the price by] 5 Yuan, it doesn’t mean much [...] and you don’t expect SLC to be angry about that” (CTX\_HCC).

Although it is not possible to say with certainty that SLC switched from using CTV because of the increase in price, which, according to the words of HCC, the SLC General Manager took as a personal insult, it is also not possible to disregard this version, since no official explanation for these three years of throughput absence has been found. What is more important here is that such a situation is believed by the HCC as typical in the Chinese environment. It can be thus concluded that, according to HCC and MM\_2, personal relationships and personal reactions play an important role in partnerships. Similarly, an example of the importance of demonstrating personal respect in partnerships was provided by MM\_3 (see Box 4.8).

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<sup>22</sup> This example is built up on the basis of SLC’s Annual Reports 2002-2010 and the information obtained through the interviews.

#### **Box 4.8. CTX–EUM “cold-ironing” meeting**

MM\_3 commented on his visit to an end-user customer:

“We went to see the customer and apparently we didn’t bring in the right level of person [...] we brought the person who knows business the best [...] so we went to EUM [cargo source] and they wanted to talk to us [about] ‘cold ironing’ – there is a potential when vessels come to berth they put a plug, but the vessel can shut all the engines down, but that plug [makes it possible] to bring electricity to the vessel and it can be run like that. We brought our technical expert and received a comment that ‘next time you are going to bring in somebody here make sure he is of the appropriate level’” (MM\_3).

Both examples illustrate the important role of personal relationships and “face giving” in partnerships with customers. Interestingly, in both cases the companies involved were Chinese<sup>23</sup>. Indeed, several managers linked the importance of personal relationships with the cultural background of a customer. According to CM\_2, it is mainly Asian companies which “want special care”, while MM\_2 believes that American customers do not build “in-depth relationships”, whereas European and Asian ones do. At the same time, other managers see personal relationships as important in dealing with the customers of all cultures, though to a limited extent.

There are other important things you have to do to secure you[r] contract. But [if] personal relationships are there, [then] other things being equal you will get an advantage (CTX\_OM\_1).

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<sup>23</sup> When talking about EUM the manager meant its Chinese factory.

Yes, [there is] the cultur[al] [aspect,] but time[s] change and we are working a lot with international companies. My personal view is that personal relationships are good, they help, they make your business relationships easier [...] But it's not all [...] friendship is not enough to be partners in business [...] You need to match in resources, in your abilities, plans [...] you basically need to have some points where you touch (CTX\_CM\_1).

Indeed, both managers believe that personal relationships can help in partnerships with customers, but only provided there is a solid commercial grounding for them. Moreover, CM\_1 points out that “time[s] change”, and that CTX is now working with international customers. These words extend the statement of HCC that personal relationships are “typically Chinese”, since CM\_1 demonstrates the changing attitude due to the changing business landscape. Several managers even expressed surprise at the fact that many managers working for their customer companies build their understanding of business in China on stereotypes of *guanxi*. For instance, in the opinion of OM\_1 foreigners do not understand how to do business in China, because their understanding is often based only on the images given by the media. MM\_1 and CM\_1 expressed similar opinions.

In Europe they [have] a very bad image of China [...] They have a very simplified vision [...] night vision (CTX\_MM\_1).

They need to break stereotypes [...] we don't only bribe each other, we are actually doing some good business here! CTX has been the terminal of the year, we won tons of awards, so we have the standard[s] [...] that's first [...] second [...] people are different, that's true [...] you need to be patient, and take some time to get to know your partner [...] But [these] are simple things, I think everyone can easily do this (CTX\_CM\_1).



It can be concluded that personal relationships are an important part of business in China. This has been found to be especially true for the partnerships between CTX and Asian customers. However, CTX managers expressed a different attitude with regards to international customers, and described the role of personal relationships as more complementary than dominant. Moreover, they emphasised the need for these customers to adjust their understanding of the role of *guanxi* in Chinese business, since the Chinese environment has been changing over the last few decades, and companies like CTX are similar to other international companies in terms of their business values.

#### **4.5. Key findings from Study 1 and their implications for Study 2**

Study 1 has been conducted in order to introduce the context of the research, the focal company and managerial perceptions with regards to partnerships with customers. Several key findings have emerged from this part of the research. While these findings are preliminary, they provide important insights into the key areas of buyer-seller partnerships and have implications for Study 2.

##### **4.5.1. Partnership formation as a response to contextual challenges**

CTX has been found to be actively involved in developing partnerships with its customers, which follows from its communication statements as well as its customer-oriented initiatives. Bringing together CTX's approach and a number of specificities of the shipping industry in

SEZ-1, as revealed in Study 1, it can be concluded that CTX seeks partnerships in order to respond to the contextual challenges and the resulting instability of the shipping industry in SEZ-1. These challenges are related to local and international factors. Among the local ones are the rapid and on-going **economic growth of the shipping industry** in China, the **increased competition** between container terminals in SEZ-1 and the **persisting inefficiency of governmental policies** in the container terminal sector. International factors include the trend towards **alliance formation** and the **deployment of mega-vessels** by shipping line companies. It is difficult to judge the importance of each single contextual factor for CTX's partnership-building strategy. It is probably rather the combination of these several factors which drives CTX's strategy. Indeed, as it has the advantage of "deep water", CTX approached the biggest shipping line in the world, SLM, who started deploying mega-vessels to CTX earlier than other companies. This was also done during a time when, due to the bureaucracy of Chinese customs, shipping line companies had refrained from using CTX. Thus, CTX had to provide other incentives to its customers to "make up for" the inefficiency of customs. Thus, CTX's partnership with SLM has been driven by the need to overcome the obstacles of the environment and by the opportunity to use its natural advantage.

Moreover, contextual factors also seem to be responsible for CTX being the first company in SEZ-1 to change the traditional approach of a terminal towards customers and to interact directly with **indirect customers** – the end users of the company. Indeed, the alliances formed by shipping lines have reduced the customer base, making it even more risky for the company to rely on a "single income source", as MM\_2 explained. At the same time, end users have become interested in environmentally friendly transportation. The example in Box 4.8 was provided as an illustration of the importance of demonstrating respect in business in China,

but also shows a good example of a green initiative discussed between EUM and CTX. Therefore, both the challenge of increased competitive pressure and the opportunity to understand the new demands of end users have driven CTX's engagement in indirect partnerships. It can be thus concluded that the contextual specificities described above certainly drive CTX's engagement in partnerships. Whether the same specificities drive customers' engagement in partnerships is addressed in Study 2.

#### **4.5.2. Different motives for direct and indirect partnerships**

The contextual factors described above have never been stable from the beginning of CTX's operation. Therefore, the motives for CTX's engagement in partnerships have been found to differ depending on the period of CTX's development and the type of customer chosen as a partner. It was found that, in the beginning of its operations, CTX mainly approached big direct customers with the key motive of stimulating the "take-off" of its business and ensuring its survival under the complex contextual situation. The subsequent motive for seeking the first partnerships at that time was to demonstrate to other customers that CTX's capability is "guaranteed" by its reputed partners. Indirect partnerships were found to be developed by CTX more for the purpose of securing its competitive advantage when the contextual conditions changed and competition in the industry increased. As has been argued in the previous sections, CTX aims to obtain an indirect influence on its direct customers through its end-user partnerships. These findings, however, illuminate only the supplier's side and are complemented by the results of Study 2, which focus on the concrete examples of partnerships.

#### 4.5.3. The perception of partnerships

Partnerships were found to be seen by CTX's managers as long-term, close, strategic and rare relationships, which can be developed with both direct and indirect customers. Clearly, for the majority of the respondents, most of the relationships they have with their customers are long term, due to the nature of the shipping industry. However, partnerships are seen as more than long-term relationships. The most important feature of partnerships, according to the respondents, is a match in terms of objectives, visions and strategies. Indeed, only a few examples of long-term partnerships have been provided. In addition, many respondents mentioned that partnerships are developed with "important" or "big" customers. Although the conditions of partnership development were not explicitly addressed in this part of the research, it seems that the **size** and the **reputation** of customers are key criteria for CTX in its choice of partners. However, having obtained these initial understandings of a partnership on the supplier's side the next step is to see whether, first of all, these perceptions of a partnership correspond to the *real* partnerships and, secondly, whether CTX's customers have similar perceptions of a partnership and similar criteria for the selection of partners.

#### 4.5.4. Are preferential treatment and information sharing the only actions in partnerships?

According to CTX managers, CTX allocates more resources to its partners than to other customers. However, apart from satisfying an urgent request of SLM, no other examples of preferential treatment have been provided at this stage of the research. Therefore, other actions of CTX relating to its treatment of partners are discussed in the results of Study 2. In

addition, despite the perceptions of partnerships as cooperative relationships, when asked about the behaviour of CTX partners, CTX managers mainly emphasised higher-than-usual levels of information sharing. Examples of sharing confidential information and the provision of the “right of first refusal” have been discussed. Despite the fact that SLM is a shareholder of CTX, investment in the company or the company’s projects has not been mentioned by CTX managers among the customers’ actions in partnerships. Thus, it seems that either frequent information sharing and, above all, sharing confidential and “advance” information are regarded as cooperative behaviours, or managerial perceptions of partnership do not correspond to the real behaviour of customers in partnerships. However, a third situation is possible as well. CTX managers have provided examples of numerous initiatives developed by CTX for its customers, where it is possible to assume that customers have been engaged as well. However, the role of customers in these initiatives has hardly been mentioned. Therefore, it is too early to make a conclusion about customers’ behaviour in partnership at this stage of the research. Customers’ actions are further addressed in the results of Study 2, which is developed on the basis of concrete partnership dyads.

#### **4.5.5. Complementary role of personal relationships in partnerships**

While they are recognised as an important part of business, for CTX managers personal relationships were found to be complementary to commercial relationships, rather than being a basis for them. The respondents agreed on the positive contributions of personal relationships for information sharing, and recognised *guanxi* as a part of Chinese culture, but showed little tendency to judge their customer relationships or business episodes on the basis

of personal relationships with these companies' representatives. At the same time, the respondents provided examples of other companies, for which personal relationships and personal respect seem to be crucial. It can be concluded that the importance of personal relationships differs between companies. Based on the examples given by CTX managers it is possible to assume that the importance of personal relationships varies between companies of different cultural origins. Asian companies are generally seen by CTX respondents as placing more emphasis on personal relationships. With regards to CTX's position, since the managers usually started their responses to personal-relationship-related questions by saying that one client "likes" personal relationships, while another does not, it can be concluded that CTX adapts to the style of its customers. These conclusions, however, are further expanded on the basis of the results of Study 2.

#### **4.5.6. Implications of the preliminary findings for Study 2**

Study 1 provided information on the supplier's side of partnerships, which is to be further extended and complemented with the investigation of the buyer's side during the course of Study 2. Moreover, Study 1 provided a number of implications for the further stages of the research. Based on the results of Study 1, some of the research objectives formulated in Chapter 3 have evolved. Prior to Study 1 the RO1 was *"To identify and compare the motives of buyers and sellers for engaging in partnerships, and the conditions necessary for this"*, as stated in Table 3.1. Based on the results of Study 1, however, the existence of indirect partnerships, as well as direct ones, has been uncovered. It was not expected prior to Study 1 that a terminal would establish partnerships with its customers' clients. However, as Study 1

has demonstrated, CTX views indirect customers as important decision-makers in the supply chain, and thus seeks partnerships with them as well. Therefore, as a result of this finding, RO1 has been reformulated so as to highlight that indirect partnerships have been included in the research. The revised version of RO1 is thus presented as follows:

**RO1:** To identify and compare the motives of buyers and sellers for engaging in direct and indirect partnerships, and the conditions necessary for this.

Additionally, prior to Study 1, RO2 was “*To understand the effects of Chinese context on partnerships initiation*”, as stated in the Table 3.1. However, Study 1 revealed that not only specific local Chinese factors, but also international contextual factors (e.g. the mega-vessels trend) affect CTX’s decisions with regards to partnership formation. Therefore, it is important to find out in Study 2 how such international factors can affect customers’ willingness to engage in partnerships with CTX. As a result of these findings, RO2 has been reformulated and is presented as follows:

**RO2:** To investigate the impact of local and international factors in the initiation of buyer-seller partnerships in China.

Prior to Study 1, RO5 was “*To investigate the role of personal relationships in partnerships*”, as stated in Table 3.1. The preliminary conclusion of Study 1 is that in CTX, the majority of top managers place primary importance on a match in terms of commercial interests in their partnerships, and assign a complementary role to personal relationships. However, according to CTX managers, the priorities of customers with regards to personal relationships differ

depending on the culture. Thus, it is important to verify whether the cultural origin of companies can be linked with the importance they place on personal relationships in partnerships. Based on this consideration, RO5 has been extended and is now formulated as follows:

**RO5:** To investigate the role of personal relationships in partnerships and to verify whether personal relationships are more important in partnerships with Asian than with Western customers.

The remaining objectives of the research (RO3, RO4 and RO6) have been kept unchanged and remain as stated in Table 3.1. Based on the revisions of the research objectives following Study 1, the final objectives of the empirical research are presented in Table 4.8. However, since the nature of the amendments is to specify some aspects of objectives rather than change them, there was no need to amend the research questions developed in Chapter 3.



**Table 4.8. The final objectives of the empirical research**

<b>№</b>	<b>Objective of the research</b>
RO1	To identify and compare the motives of buyers and sellers for engaging in direct and indirect partnerships, and the conditions necessary for this.
RO2	To investigate the impact of local and international factors in the initiation of buyer–seller partnerships in China.
RO3	To analyse and compare the actions and beliefs of buyers and sellers in partnerships.
RO4	To analyse the structure and specificities of dependence, commitment and trust in partnerships.
RO5	To investigate the role of personal relationships in partnerships and to verify whether personal relationships are more important in partnerships with Asian than with Western customers.
RO6	To provide an empirically based definition of partnerships on the basis of the insights obtained into the nature of buyer-seller partnerships in the Chinese shipping industry.

The initial sections of this chapter have focused on the findings of Study 1 related to the context of the research and the focal company, CTX. A number of partnership aspects have been illuminated and the implications for Study 2 have been provided. Having done this, the next step is to examine the specific relationships with customers that CTX identified as partnerships.

#### **4.6. Study 2: CTX and its customers**

This section presents the findings obtained during the course of Study 2. The aim of Study 2 was to complement Study 1 by further investigating CTX's behaviour in partnerships and by providing the customer's perspective on buyer-seller partnerships. The findings have been built on the basis of 12 CTX-customer dyads and are organised according to the key blocks of the research framework and the themes which emerged across the investigated dyads<sup>24</sup>.

##### **4.6.1. Partnership initiation: How does CTX choose its partners?**

The preliminary findings of Study 1 showed that CTX managers mainly perceived big international companies as CTX's partners. The next step taken in Study 2 was to see whether these perceptions match the reality, and to reveal the key conditions that customers should satisfy to be considered as partners.

Several customers seen as partners by CTX managers have been identified through the course of Study 1: SLM, SLB, SLA, SLC, SLE, SLO, EUH and EUM. In addition, at the beginning of Study 2 the Head of Commercial and the Head of Marketing were asked to review the list of companies obtained from Study 1. These two managers were chosen to act as the key informants because they have both been in their positions since the beginning of CTX's operation and have been constantly engaged in dealings with direct and indirect customers.

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<sup>24</sup> Since discussing each dyad would have resulted in producing a lot of excessive and, in some instances, repetitive information, descriptions of dyads are not provided in the main body of the thesis, but an example of such a description is provided in Appendix 9.

#### 4.6.1.1. Conditions for considering direct customers as partners

HC provided several names of CTX partners and named three companies as “prospective” partners: SLV, SLI and SLP. The manager explained that he understood prospective partnerships as companies with which the “relationships have not achieved their full potential yet”, but with whom CTX is closer than with other customers. Finally, HC explained that SLK was one of the first partners of CTX, however the partnership has been broken. The majority of the companies named are included in the World’s Top 20 shipping lines. These are listed in the Table 4.9 together with their world rankings and information on vessels. The company missing in Table 4.9 is SLI, since it is a niche company that is concentrated on a specific market and thus is outside the top 20 companies outlined in the UNCTAD (2010)<sup>25</sup>. According to *Alphaliner* 2009-2012, SLI’s rank is between 50<sup>th</sup> and 60<sup>th</sup>.

**Table 4.9. CTX’s partners included in the world’s top 20 shipping lines**

Ranking	Shipping line	Number of container vessels	Average vessel size	Share of the world’s total TEU (%)
1	SLM	427	4090	11.7
2	SLQ**	394	3827	10.1
3	SLV	289	3269	6.3
4	SLR*	167	3549	4
5	SLK***	129	4068	3.5
6	SLC*	143	3468	3.3
7	SLL**	116	4053	3.1

<sup>25</sup> UNCTAD provides only the data on the top 20 container shipping lines.

8	SLS*	120	3809	3.1
9	SLB	89	4495	2.7
10	SLA	77	4670	2.4
11	SLO	90	3871	2.3
12	SLE	89	3655	2.2
13	SLH**	80	3966	2.1
14	SLU**	63	4609	1.9
17	SLP	64	3371	1.4

(Source: UNCTAD, 2010)

*\*Companies identified by CTX as partners, but not interviewed during the investigation.*

*\*\*Other customers of CTX.*

*\*\*\*Ex-partnership of CTX.*

It seems from the table above that all the companies named as partners or prospective partners are highly ranked and have a significant share of the global market. Moreover, at the regional conference held on 25 June 2008, CTX's CEO drew particular attention to "top customers" and their alliance affiliation, and commented on their throughputs at CTX in 2006 and 2007. An extract from the presentation is provided in Box 4.9, followed by Table 4.10, which presents existing shipping alliances, and Table 4.11, which shows the top customers' throughputs<sup>26</sup>.

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<sup>26</sup> The details of the Regional Conference observations can be found in Appendix 6d.

**Box 4.9. Presentation of CTX CEO at the regional conference, 25 June 2008**

The conference held between CTX and its parent company concerned, among other aspects, CTX's customer relationship strategies to overcome the challenges posed by the external environment and competitors. The CEO proposed two key strategies, which he called "Holding critical mass at CTX" and "Customer growth strategy" (CTX CEO Presentation, 2008). In order to maintain the critical mass, the CEO proposed a series of incentives, which included new routes and services to the US and Europe, volume incentives, and preferential rates for empty-container storage. With regards to the second strategy, the CEO proposed the following:

1. "Dedicated efforts to develop deeper relationship with our crown jewels: SLM, SLR, Five Star Shipping Alliance and World Class Shipping."
2. "Do not leave out the fast-growing but transactional customers, i.e. SLQ, SLV and SLP".

*Source: CTX Presentation at the Regional Conference, 25 June 2008.*

**Table 4.10. Shipping alliances**

<b>Alliance name</b>	<b>Members</b>
Five Star Shipping Alliance	SLC, SLB, SLE, SLH
World Class Shipping Alliance	SLK, SLY, SLO
Great Alliance	SLL, SLZ, SLA, SLU
Best Container Shipping Alliance*	SLM, SLV, SLQ

*\* This alliance was formed after the date of the presentation*

**Table 4.11. CTX's top customers' throughputs, 2006-2007**

Shipping line	Throughput ('000 TEU)		Growth rate (%)
	2006	2007	
SLM	2,044.0	2,351.7	15.1
SLR	1,011.5	1,254.5	24
SLB	659.9	660.2	0.0
SLC	603.4	632.3	4.8
SLE	544.1	566.5	4.1
SLQ	422.4	539.4	27.7
SLS	418.6	486.9	16.3
SLH	328.2	420.8	28.2
SLO	291.1	299.0	2.7
SLU	254.6	263.1	3.4
SLV	268.6	258.3	-3.8
SLK	304.0	254.7	-16.2
SLA	215.7	237.7	10.2
SLL	180.0	210.3	16.9
SLW	124.7	115.2	-7.6

*Source: CTX Presentation at the Regional Conference, 25 June 2008.*

Bringing together all the information above, it can be noted that among the companies and alliances, named during the CEO's presentation as "crown jewels", six have been called "partners" by HC (SLC, SLB, SLE, SLO, SLM, SLR) and one has been called a "former partner" (SLK). Among those called "fast-growing but transactional" were SLV and SLP – called "prospective partners" by HM. Looking at Table 4.10, it seems that CTX partners with companies that are involved in shipping alliances. Indeed, only 14 companies out of 46

regular CTX customers are members of alliances. Moreover, it seems that CTX aims to have two or more partners in an alliance. Additional confirmation of this idea comes from the fact that CTX's CEO said not to "leave out" SLQ and SLV. Indeed, SLQ, SLV and SLM had been running joint services for six months prior to the date of the presentation (CTX Press Release, 9 April, 2008), and another five months after they formed the Best Container Shipping Alliance. At the same time, SLA was indicated as a valued customer of CTX during Study 1, and named a partner by HM, but was not mentioned by the CEO in relation to any customer group. A possible reason for this could be the fact that SLA is in an alliance of four companies, none of which has been named by any respondent as a CTX partner. Indeed, when asked during an interview how CTX chooses its partners, CTX's CEO said:

We get [a] few shipping lines who are big and powerful and work with us, but we can't have the same relationships with all of them. Relationships change, customers sometimes go away, they find that we are too expensive; there is additional supply and ports give them better deals. The Great Alliance has moved, but we are getting closer to [the] Five Star Shipping Alliance and SLM. So we lose some, we get some, of course we want to get as many as possible [...] and I think we have recently got SLK back (CTX\_CEO).

As follows from the quotation above, the CEO refers to alliances rather than individual companies, and also seems to assume that companies engaged in alliances are "big and powerful". It can be thus concluded that **alliance affiliation** is an important condition for CTX in considering a company as a partner.

In addition to alliance affiliation, all the partners of CTX are among the top 15 customers in terms of throughput (see Table 4.11). Clearly, all the partners – and even prospective partners – of CTX bring a lot of cargo to CTX. However, since other companies, like SLW and SLL,

are also bringing a lot of throughput to CTX, but are not considered as its partners, it can be concluded that though large cargo volume is typical for CTX partners, it is not sufficient to be considered as a partner. Indeed, large cargo throughput stems not only from relationships with a terminal but also from the company's overall throughput capacity. For example, SLM is the largest shipping line in the world, with the biggest fleet of 427 ships. Therefore, logically, it can bring a lot of throughput to a terminal. Similarly, SLQ is the second largest company, and also has a large throughput capacity. However, SLQ has been called a "transactional" customer by CTX. At the same time, companies like SLB and SLE, which have only 89 ships each, cannot potentially bring similar throughput to CTX. Nevertheless, according to the respondents SLB puts 70% of its overall cargo volume in South Asia through CTX, while SLE puts through over 35%.

We have more than 70% relying on CTX. That's why CTX are giving us a better service and maybe better condition[s] as well, like a better tariff or a better rate (SLB\_BVP).

For example CTX is our major terminal service provider in SEZ-1, but we are also using other[s] but [to lesser] degrees. For example we are using CTX for over 35% of our services (SLE\_SM).

Overall, **large cargo throughput** can be seen as part of what makes a company "big and powerful", and thus eligible for partnership with CTX. However, throughput alone does not seem to turn a company into a CTX partner automatically.

Another factor which was found to be an important condition for CTX partnerships is customer strategy. Since CTX is a deep-water terminal, it seems to choose partners which



have adopted or are planning to adopt a mega-vessel strategy. Table 4.12 presents the plans for vessel construction by CTX customers.

**Table 4.12. Customers' vessel construction plans for 2008**

<b>Shipping Line</b>	<b>Number of New ships</b>	<b>Details</b>	<b>Ships over 8000 TEU capacity</b>
SLK	13	6x1819, 1x3534, 4x4245, 2x5888	-
SLV	17	7x4250, 1x5089, 4x5089, 4x5624, 3x9600, 2x9700	5
SLC	9	3x4506, 6x10000	6
SLS	8	2x2504, 3x4250, 3x8530	3
SLR	2	2x4334	-
SLB	8	7x4275, 1x6500	-
SLL	2	2x8750	2
SLY	10	5x4700, 5x8600	5
SLE	1	8120	1
SLM	43	4x1700, 13x2500-2900, 5x3400-3500, 3x4300, 4x5085, 4x6500, 2x8400, 5x8600, 2x9200, 1x12508	10
SLO	11	4x4250, 1x6400, 6x8100	6
SLQ	11	2x4250, 2x4860, 4x5762, 2x9700, 1x11300	3
SLA	13	5x2800, 3x4900, 4x6500, 1x8100	1
SLU	2	2x4506	-
SLH	9	6x4250, 3x8200	3
SLP	7	5x4250, 3x8200	3

*Source: CTX Presentation at the Regional Conference, 25 June 2008.*

It can be seen from the table above that five companies seen by CTX as partners (SLC, SLE, SLM, SLO, SLA), and two seen as potential partners (SLV, SLP), planned to build new mega-vessels in 2008. Similarly to throughput level, it seems that the adoption of a **mega-vessel strategy** is an important condition for CTX, whose mission is to be the preferred terminal for mega-vessels, to consider a company as a partner. However, again, the adoption of a mega-vessel strategy is unlikely to be enough, as companies not considered as CTX partners also engage in mega-vessel construction.

All the above-mentioned factors seem to contribute to the **reputation** of a “big and powerful” company. The importance of partnering with globally reputed customers has been addressed in Study 1. However, apart from being “big”, a customer was found to be considered powerful by CTX if partnership with it could facilitate CTX’s presence in a particular market. Thus, partnership with the three old and reputed Japanese shipping lines ensures CTX’s presence in Japan; and partnership with SLM (and earlier with SLK) strengthens CTX’s position in the US and European directions. In addition, SLB is a leading company in its country of origin, while SLI, although small in terms of global scale and not affiliated with any alliance, is the biggest shipping line in Russia. Thus, partnerships with these companies increase CTX’s scope of directions further.

Finally, CTX was found to partner with customers who are relatively **less price sensitive** than others, and who put their priorities on a better service package for the end user. For instance, the respondent from SLM argued that SLM is ready to pay a premium price for better service, while SLA highlighted the importance of CTX’s growing and developing its facilities to satisfy their growing demands.

They [need to be able to] grow at the same speed as us, keep the same price, find out new options for us (SLA\_DGM).

Companies like SLM and SLE, who also adopted a strategy of providing premium service to their customers, appreciate CTX's developments in terms of service and technology. Equally, SLO KAM commented on SLO's preferences as follows:

They [SLO] are also not [as] cost-sensitive [...] as SLV [...] but they want [a] first-class service, they are more service oriented [...] they [would] rather stay with a higher service and higher price than go for the lower cost and lower service quality (SLO\_KAM).

However, SLI, SLP and SLK are seen by CTX as customers whose strategy is to provide a "basic" service to their customers. Thus, none of these customers is thought to appreciate CTX's developments. For instance, CTX has been continuously trying to reduce congestion in the terminal. The company is involved in building a new road from the terminal inland, employing new IT systems to increase the efficiency of berth allocation, and buying new quay cranes for cargo unloading. However, according to CTX's CEO, SLV "does not mind [...] queu[ing] for four hours to get [a] cheaper price". Similarly the ex-partner of CTX, SLK, is seen as very price-sensitive, as confirmed by SLK\_OM, who said that many of CTX's developments were "unnecessary" and only led to a higher price:

[CTX] built up lot of services not all carriers need [...] For example our company is also very advanced in computers. [CTX] has a very good development in their computers [and] software [...] But we don't need that. Unfortunately [...] no matter [what,] they charge shipping line A, B, C for the service, because they invested into this system [...] But for us, we don't need that, we just need half [of the service available] [...] but they will not charge us half (SLK\_OM).

As can be seen from the quotation above, SLK seems to be a different type of company than, for instance, SLM. For SLK, shipping is still defined, as described earlier, as using a traditional approach: the terminal operates the vessels, the shipping line transports the cargo. CTX, on the contrary, is acting as a consolidator and provides many more services than pure vessel operation. Therefore, there is a mismatch between the service provided by CTX and that required by SLK. It can be concluded that the match in provided and required service level is important for establishing an overall understanding between buyers and sellers. When understanding is established, companies see each other as partners; if there is a mismatch, relationships are more distant.

It can be concluded from the discussion above that the key conditions for being a direct partner of CTX are: alliance affiliation, large cargo throughput, adoption of mega-vessel strategy (and thus a match with CTX's strategy), good reputation and relatively low price sensitivity.

#### 4.6.1.2. Conditions for considering indirect customers as partners

As mentioned in Study 1, the key motive for CTX to partner with the end users is to have an influence over shipping lines. In relation to this it was mentioned that, similarly to the shipping lines, big and reputed end users were considered for partnerships. MM\_1 said that CTX targets end users who are "important players in the shipping industry". When asked how the importance is determined, the manager replied that it is subject to the nature and, thus, **the importance of the end users' industry and the company's size and reputation.**

For instance, the Head of the Cargo Sourcing Department named EUH as the key partner of CTX. EUH is one of the biggest toy companies in the world, while China is the biggest global manufacturer of toys. Indeed, the “Global and China Toy Industry report 2010-2011” states:

In 2010, [...] global toy sales achieved USD83.3 billion, up 4.7% YoY, wherein, the Asian toy market climbed to the world’s second largest toy market with the strong growth of 9.2% on average (Global and China Toy Industry report 2010-2011, p.1)<sup>27</sup>.

Taking into account the strong position of China in toy manufacturing, this industry is key in driving Chinese exports (Tse, 2009), and thus is one of the most attractive for shipping lines and terminals. Moreover, since this company is a big exporter of toys, shipping lines are eager to have it as a customer, which can put pressure on shipping lines to use CTX and even to invest in CTX’s facilities. For instance, MM\_1 recalled the following example:

For example, EUH demands a Depot [at CTX], all for themselves. Some shipping lines want this and they work with us to provide this service, other shipping lines don’t want it, as they don’t want to pay extra money. That’s all a matter of negotiations. They say: ‘If I give you X millions of business would you take care of the rest?’. And if [the shipping lines] want these X million[s] of business [they]’ve got to take care of that, if [they] don’t, other shipping lines [will] do [it]. So whether [shipping lines] like it or not [they] incur additional costs (CTX\_MM\_1).

Similarly, EUD, the biggest European company, and EUU, the biggest US company, were named as leaders among the global freight forwarders. CTX\_HM named EUD as a good partner and mentioned that EUU “has also been important at some point[s]”. EUD represents a particular interest for CTX, since the nature of business in the European market is such that

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<sup>27</sup> This data is available at: <http://www.researchinchina.com/UpLoads/ArticleFreePartPath/20110721104213.pdf>

it is mainly freight forwarders rather than end users that negotiate cargo transportation with the shipping lines. This fact is recognised by CTX, as shown in the quotation below:

[EUD] has some influence, as they get bigger [...] they are stronger [in] the European market [...] the US market is dominated by end users, the European market is dominated by freight forwarders [...] a global player like EUD can attract a lot of customers to a terminal (CTX\_MM).

It can be concluded from the discussion above that EUH and EUD are considered partners due to the nature of their industries and their leading position in the global market. EUU can be classified under the category of “prospective partners”, since the company has been mentioned as being important to CTX by the key managers involved in the end-user marketing, but is not regarded as a partner by them.

With respect to nature of the industry and leading position, the interviewed managers argued that even if these conditions hold, not every end user can be CTX’s partner. Indeed, talking about a common project with EUH – the railway – HCS spoke about a “good mix and match” between the resources of the two companies. Indeed, the railway has become one of CTX’s biggest projects. At the same time, HM explained that he saw EUH and EUD as key indirect partners because they shared CTX’s values and appreciated CTX’s efforts to develop solutions for them. As indicated by the HM in Study 1, CTX provides repetitive benefits for its end users in terms of the choice of shipping company and customer-specific projects. Thus, it can be concluded that, in addition to being from a particular industry and having good reputation, an end user should have what has been called by HCS “common ground”, or a **match** with CTX.

#### 4.6.1.3. Directed growth as a motive for CTX's engagement in partnerships

Complementary to the key motives of CTX's engagement in partnerships with its direct and indirect clients, as identified in Study 1 (survival, maintaining competitive advantage, obtaining influence over shipping lines and enhancing CTX's reputation), an additional motive, named **“directed growth”**, has been revealed in Study 2. As has already been demonstrated in the earlier sections of findings, CTX has been growing tremendously in the last 15 years. Growth for a terminal means berth construction and the development of cargo-handling facilities, transportation means and warehouses. CTX\_CEO argued that these are rather challenging developments as they require huge investments; and once the facility is built it is not possible to rebuild it. In particular, he provided the example of developments for mega-vessels. As follows from CTX's communications, CTX aims to be “the preferred hub for mega-vessels”. Indeed, in 2005 CTX received 110 mega-vessel calls, more than any other terminal in South China (CTX Archives, News, 18 July 2005). However, back in 1997-2000, CTX had the natural advantage of deep water, but lacked suitable berths for mega-vessels. CTX\_CEO recalled the series of communications with SLM around mega-vessel facility constructions (see Box 4.10).

#### **Box 4.10. The development of mega-vessel facilities at CTX**

CTX started its operation with several berth facilities, and this stage was later termed Phase I by CTX management. Observing the trend towards bigger-vessel construction, the company's management made a decision to expand CTX's facilities and thus began Phase II (1996-2000) and Phase III (2000-2010) (CTX Milestones, 1996-2010)<sup>28</sup>. According to CTX\_CEO, both phases were undertaken in cooperation with several shipping lines. In relation to these projects, the CEO said:

"If [shipping lines] put out a big ship they need a terminal to be able to handle it. If they don't tell us and we spend billions of dollars to build up a terminal that they cannot use, it would be stupid, wouldn't it?

In development of new terminals [SLM] and some other carriers play[ed] a very important part in terms of providing key input, key data. The requirements of the terminal are: what kind of ships do we want to design our terminal for? You are spending billions of dollars in designing a terminal so how should you do [that] so that it fits certain types of ships? How big [will] the ships [...] be?

I remember going and talking to [SLM]: 'Look, you are gonna tell us, as if you don't how will we build a terminal [that is] useful for you? Give us the specifications' [...] From [the] specifications you can guess what kind of ships they are putting out. For example: draft. How deep [the] water should be. What is the requirement? If they say 14 meters versus 15, 16, 18 meters [...] they [may] say 14 is quite shallow [...] [but] a lot of ports will be very happy with that [...] in contrast with 18, which is very deep [...] Every time they mention one meter more [it] means a lot of money from my perspective! I need to build up a terminal according to certain specifications [...] A deeper draft demands a steadier terminal, a more expensive project. So I need to know exactly [what to] build, what kind of specifications we are building for [...] If I don't know this information and I have a guess [and] build for 15 meters and [then] it's more [...] the whole thing is done and I cannot do anything [...] [if it's wrong at that point] then it is terrible. So I need to have a lot of very detailed information" (CTX\_CEO).

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<sup>28</sup> The details of the three Phases of CTX development can be found in Appendix 11



While CTX\_CEO mentioned that information on vessel specification is crucial to CTX's development, he also mentioned that not every shipping line would share this kind of information, unless there is a partnership and a lot of trust. In terms of information about vessel specification the CEO said:

“We need to know this information. But it is also very confidential information [...] Because [the] shipping world is very competitive and before you put out a ship you don't want anybody to know what kind of ship you are going to come up with. You want to come up with something so that no one can compete with you, like putting [out] a new fashion. So this is competitive information from a carrier point [of view].

So we are talking about the confidentiality agreements where they give us information at the risk of disclosing this information and we also share with them our commercial secrets and what we intend to do; what kind of cranes do we buy, because again when we order cranes when we say one meter more – that means a lot of money. So this all is tied in such a way that unless we have a very good information and [a] good partnership, development of this kind would have been very hard to get” (CTX\_CEO).

As can be seen from the example above, specific and very confidential information is crucial to CTX's development, but is not easy to obtain unless a shipping line is willing to share it. Thus, partnering with shipping lines, especially those who took the course of mega-vessel construction, became nearly the only way for CTX to grow whilst incurring reasonable expenses. For CTX, “directed growth” was one of the motives for engaging in partnerships with SLM, SLK, SLB and SLA, and also for considering SLV as a prospective partner.

#### **4.6.2. CTX–customer dyads**

The previous section focused on the identification of companies perceived by CTX as partners and perspective partners, and discussed the conditions for CTX’s engagement in partnerships. An additional motive for CTX’s engagement has been identified as well. Before proceeding to the presentation of customers’ motives and conditions for engagement in partnerships it is important to present the ways CTX and customers perceive each other and to provide some brief information on each customer company.

Similarly to CTX’s managers, the respondents from the customer companies were asked about their relationships with CTX. Table 4.13 summarises CTX’s customers’ perceptions of their relationships for each dyad, and the extended table with all customers’ and CTX managers’ responses to this question can be found in Appendix 10.

**Table 4.13. Perception of relationships in CTX–customer dyads**

CTX–customer dyad	Perceptions of relationships	
	Buyer	Seller
CTX–SLM	Partnership	Partnership
CTX–SLA	Partnership	Partnership
CTX–SLB	Partnership	Partnership
CTX–SLI	Professional relationship	Prospective partnership
CTX–SLP	Partnership	Prospective partnership
CTX–SLK	Customer–vendor relationship	Ex-partnership; buyer–seller relationship
CTX–SLV	Well-built relationship	Prospective partnership
CTX–SLO	Partnership	Partnership
CTX–SLE	Partnership	Partnership
CTX–EUH	Partnership	Partnership
CTX–EUV	Partnership	Prospective partnership
CTX–EUD	Partnership	Partnership

As can be seen from Table 4.13, customers perceived by CTX as partners were found to view CTX as their partner as well. Those seen by CTX as prospective or future partners were seen by customers as well-built relationships (SLV), professional relationships (SLI) or partnerships (SLP, EUU). Following CTX’s terminology, two groups of relationships were defined for the purposes of presenting the findings: partnerships and prospective partnerships.

In this context, a prospective partnership would mean that at least one party sees the relationship as being closer than other buyer–seller relationships. Additionally, there is one

relationship which was a partnership before, but has been broken and is referred to as an “ex-partnership”. Tables 4.14 and 4.15 present key information on these 12 customers.

**Table 4.14. Shipping line companies: key facts**

<b>Shipping line</b>	<b>Origin and number of years in business</b>	<b>Core business, specifics of business and service coverage</b>	<b>Market position in China</b>	<b>Years working with CTX</b>
SLM	European; 80 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics. <u>Specifics:</u> mega-vessel transportation. <u>Coverage:</u> Europe, Canada, Central and South America, Asia and Africa.	The leader in the shipping industry.	16
SLB	Korean; 80 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics. <u>Specifics:</u> Mega-vessel transportation. <u>Coverage:</u> Europe, South America, Asia, Australia, Africa.	Leading company in the country of origin; one of the leaders in the global market.	13
SLI	Russian; 80 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics. <u>Specifics:</u> Niche company; high support of own terminal near China. <u>Coverage:</u> Europe, Asia, US, Canada.	Medium player in China.	7
SLP	West Asian; 65 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics. <u>Specifics:</u> Dangerous cargo. <u>Coverage:</u> Europe, Canada, Central and South America, Asia and Africa.	Not a big player, mainly involved in transshipment.	8
SLV	European; 35 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics. <u>Specifics:</u> Family-owned business. <u>Coverage:</u> Europe, Asia, US.	Third largest container carrier in the world.	10
SLO	Japanese; over 100 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics; reefer container transportation. <u>Specifics:</u> Relationship-oriented. <u>Coverage:</u> Asia, South America and Africa.	Medium player in the global market.	12
SLA	Japanese; 130 years	<u>Core:</u> Shipping services, distribution, storage, inland logistics; reefer container transportation. <u>Specifics:</u> Dangerous cargoes; focus on mega-vessel transportation. <u>Coverage:</u> Asia, Europe, US, South America, Africa, particular focus on countries of BRIC.	Big player in the global market.	12
SLE	Japanese; 100 years	<u>Core:</u> Shipping services, transshipment; reefer container transportation. <u>Specifics:</u> Closed- and open-top containers, refrigeration facilities and different sizes. <u>Coverage:</u> Asia, Europe, Africa.	Big player in the global market.	12
SLK	American; 150 years	<u>Core:</u> Shipping services, transshipment; reefer container transportation. <u>Specifics:</u> Mega-vessels, orientation towards US market. <u>Coverage:</u> Asia, US, Europe, Africa.	Big player on the global market, main competitor of SLM.	12

**Table 4.15. End-user companies: key facts**

<b>End-user company</b>	<b>Origin and number of years in business</b>	<b>Core business, specifics of business and service coverage</b>	<b>Market position in China</b>	<b>Years working with CTX</b>
EUH	American; 100 years	<u>Core:</u> Toy manufacturer. <u>Specifics:</u> Seasonal. <u>Coverage:</u> Worldwide; key shipping from China to Europe and US.	The leader in the toy industry.	15
EUU	American; 100 years	<u>Core:</u> Logistics, freight forwarding. <u>Specifics:</u> Provision of standardised service to all customers. <u>Coverage:</u> Worldwide; key shipping from China to Europe and US.	Strong player in logistics, second to EUD.	15
EUD	European; 40 years	<u>Core:</u> Logistics, freight forwarding. <u>Specifics:</u> Provision of individual, customised solutions to customers globally. <u>Coverage:</u> Worldwide; key shipping from China to Europe and US.	Global leader in logistics.	15

#### 4.6.3. Customers' perceptions of relationships with terminals

CTX's managers' perceptions of CTX's relationships with customers and their perceptions of a partnership have been addressed earlier. Similar perceptions from the customers' side will now be presented. It is important to present these perceptions before addressing customers' engagements in relationships with CTX, since they can explain companies' priorities and values.

##### 4.6.3.1. Direct customers' approaches to relationships with terminals

Six shipping lines were found to see terminals as vital parts of their supply chains, with whom they try to develop partnerships. The key reason provided for this can be called the **interdependence** of the shipping-line–terminal business in terms of the fact that the service delivered to the end user is a combination of the services provided by the carrier and the terminal. For instance, SLE's Senior Manager argued that poor service from either side results in the failure of the *overall* service.

The relationship between [a] shipping line and a port is a partnership [...] because the service provided by the port to us is then delivered to [the] ultimate customers, so if customers are not happy or not satisfied with our service [or the] port[']s service, then it becomes a service failure (SLE\_SM).

The manager also added that close communication between shipping lines and terminals is crucial when an end user is willing to change the transshipment<sup>29</sup> terminal, for instance because of high congestion. The shipping line, which is dependent on its existing transportation routes, needs to be able to provide the customer with an alternative, as otherwise it risks losing the client. Thus, shipping lines need to communicate closely with the terminals to update them on end users' needs and to develop a solution to end users' demands together.

Similarly, SLM's Operations Manager said that his company "cannot survive without the strong sense of trust" with the terminals, since these are the terminals which are "executing what SLM [has] sold to the customer" (SLM\_OM). The OM explained that he did not see terminals only as the providers of cargo loading and unloading services, but also viewed them as "huge parts of [SLM's] day-to-day operation". Likewise, the Asian Branch Vice President of SLB noted that the parties need each other's support to develop their businesses successfully.

My opinion on relationships with the ports [...] [is that] even [though] we are buying their service also we need their help. Of course, in some business it depends on [the] supply and demand balance. But sometimes we need their support and they need our support, so it is based on some mutual understanding and partnership (SLB\_BVP).

In contrast to these opinions, SLI, SLV and SLK expressed somewhat different visions of the relationship between shipping lines and terminals. According to SLI, the relationships between the two parties are based mainly on commercial principles, "dictated by the market",

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<sup>29</sup> Tranship – transfer (cargo) from one ship or other form of transport to another (Oxford Dictionary, 2012).



where the shipping line is the customer whose needs must be satisfied, and the terminal is the provider of the service. This attitude can be linked to the nature of SLI's business in China, which is illustrated in Box 4.11.

**Box 4.11. The nature of SLI's business and relationships with terminals**

SLI is a niche company that is mainly involved in transshipment activity in South China. This means that the company has calls in several basic terminals and is also connected to transshipment terminals. Therefore, these transshipment terminals need to meet the requirements of a particular time in order for SLI to be on schedule to call the main terminals. This structure of shipping is common between shipping lines. However, it places particular boundaries on the shipping company in terms of its choice of the terminal for transshipment. The more flexible the terminal is in terms of providing a berth and a window at short notice, the better this is for SLI. It also depends on whether a terminal is the main or the transshipment terminal for SLI.

“Nowadays shipping lines provide regular weekly fixed services from every particular port [...] for example we are sailing from [the name of the terminal] every Sunday [...] because we are connected to different transshipment ports, to different ports of call [...] we are connected to further routine[s depending on] where the line is going to call, so it's all a part of this whole complex [system]. So for example if the line is calling in some port in Europe, you have to account on the window [only being available] on Wednesday. If CTX cannot provide the Wednesday window, we have to negotiate with other stevedores” (SLI\_MD).

As follows from Box 4.11, the most important aspect for SLI is a terminal's flexibility in finding a "window" at short notice. The respondent added that the possibility of developing a partnership with a terminal depends mainly on how well the terminal can satisfy the needs of the shipping line. A similar opinion has been expressed by SLK. Although the nature of SLK's business is completely different from SLI's, since SLK is the fifth top company in the world, it was also found to see itself as a customer rather than a partner of terminals in South China. The key reason SLK provided for this was the fact that their company is "looking at [...] value for money" (SLK\_OM) in China and thus does not require "the best" service. Instead, they need a basic service at the cheapest price.

I think at least for our company money we will still be [the] number one priority [...] of course service will be the second, but this doesn't mean we want to [...] we will sacrifice our service [...] as long as you give us the minimum service or the service we ask for – that's the price we want to pay (SLK\_OM).

Finally, SLV was found to perceive relationships with a terminal to be dependent on the volume of cargo a shipping line brings, and the resulting better conditions it gets from the terminal. In addition, the respondent felt that Chinese shipping line companies are getting preferential treatment because of "national interest", while other companies do not benefit from this. Thus, SLV's Operation Manager felt that their company is more of a client than a partner to a Chinese terminal.

It can be concluded from the discussion above that all the direct customers perceived by CTX as partners see their service as being combined with that of terminals, and thus view relationships with terminals as close. Out of those customers seen as prospective partners by CTX, only SLP sees terminals as partners, while two others see them mainly as service

providers. Finally, the ex-partner of CTX has also been found to see itself as the terminals' client.

#### 4.6.3.2. Indirect customers' approaches to relationships with terminals

All three indirect customers of CTX interviewed in this study were found to see terminals as their partners. For EUH, partnering with its suppliers is a part of the company's vision. The vice president of the Chinese branch of EUH linked the importance of treating terminals as strategic partners to the complexity of the company's business, which requires constant support.

All the members of the supply chain are our partners, but ports are special, we really do treat them as [...] it's an overused word [...] but partners [...] our business is so complex that it needs a lot of support, by the transportation companies, truckers, [...] container shipping companies [...] And we ship to 22 or 23 different affiliate[s] around the world, and over 500 direct import customers, so this is a very complex business and you really need to treat your logistic[s] suppliers as strategic partners, [...] as opposed to just [...] service provider[s] (EUH\_President).

Paradoxically, it is the terminal which is viewed by EUH as the most important part of the supply chain, rather than its direct suppliers. According to the President of EUH, the reason for this is the fact that shipping transportation is more of a "commodity", while EUH needs consolidated<sup>30</sup> services, which are provided by terminals. Similarly, EUU and EUD view

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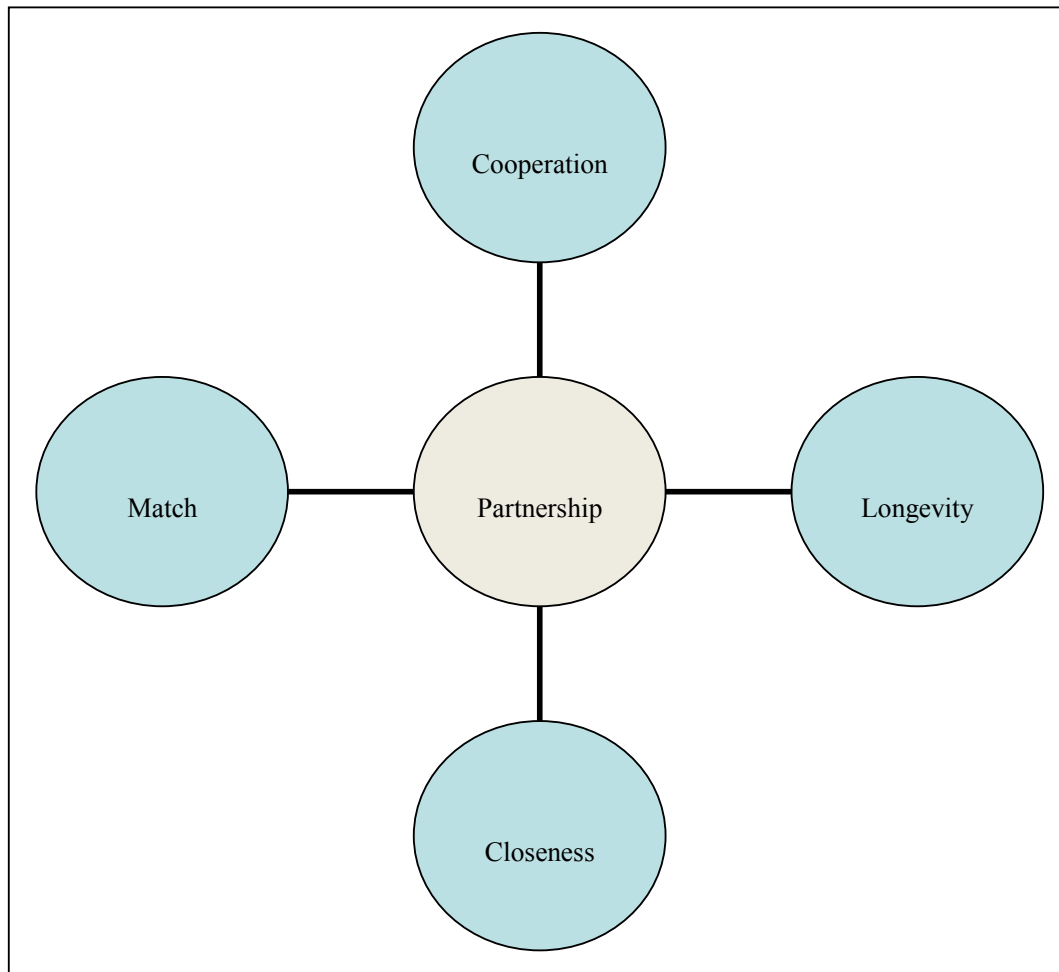
<sup>30</sup> "Consolidation" refers to warehousing facilities, IT monitoring systems, inland cargo transportation to and from the terminal and other possible logistics requests.

terminals as important parts of their supply chain. Terminals are particularly important for EUD, which transports its freight via ocean rather than air.

#### 4.6.3.3. Customers' perceptions of a partnership

Similarly to Study 1, respondents were asked to talk about partnerships in relation to their industry. The key associations derived from the interviews are presented on a diagram developed through NVivo and shown in Figure 4.6.

**Figure 4.6. Managerial associations with partnership within customer companies**



Associations provided by CTX customers from partner companies are similar to those provided by CTX managers in Study 1. Partnerships are seen by both direct and indirect customers as close relationships based on a match between long-term goals, cooperation and trust. For instance, when asked how he sees relationships with CTX, SLM\_OM said that he saw CTX as a long-term service provider in SEZ-1 and as a “huge partner” for SLM. Later on he explained:

I use the term partnership for the ones we have long relationships with and intend to have longer relationships with, as opposed to other terminals where we can be only for a short time or only for a temporary usage (SLM\_OM).

The manager also emphasised that his “personal trust” in CTX is based on the longevity of the two companies’ relationships. Since he did not work at SLM at the beginning of its operations in South China, it seems that, for him, the track record of SLM–CTX’s history serves as a basis for trust in the company. Later on he added:

From what I see SLM and CTX have been working very well together, in terms of day-to-day communication as well as long-term future plans. Our company is focused on mega-vessels [...] CTX is aiming to be the best in handling mega-vessels [...] therefore we have a very good common ground and a very good partnership (SLM\_OM).

Similarly, EUU\_BDM said that partnership is about similar “long-term objectives”, while SLA\_DGM argued that for him a partnership is something built around a “long-term vision” which is not shared with other terminals. When asked what the difference is between the relationship with CTX and that with other terminals, SLA\_DGM said:

With some port operator[s] we can share some long term targets, but with some we can only deal on [a] spot basis [...] because they cannot share the same vision for [the] future [...] So if we share the same values and vision for the future we can say this is a real partnership between two of us (SLA\_DGM).

Likewise, The President of EUH described EUH–CTX’s relationships as follows:

I think it [i]s two groups mutually pursuing excellence, a shipper – a customer, and our logistics partner in this case CTX. So these are two organisations with the mutual need and mutual desire for excellence (EUD\_President).

As can be noted from all the quotations, it is not only the duration of the relationship, but also the long-term cooperation and corresponding vision which are key characteristics of partnerships. Longevity alone does not appear to be enough for the respondents to see a relationship as a partnership. Indeed, EUD\_GM and SLA\_DGM argued that a company may be “forced” into long-term relationships due to the absence of alternatives.

I think a long lasting [relationship] is not necessarily a good one [or] a strong partnership; and you might be forced into this [relationship] because of no other option, but [...] strong relationships of course tend to last longer (EUD\_GM).

For example we are using one vendor in [name of region]. But this is a controlled market; we have to use them anyways. We have been using them for almost 30 years, but in some case[s] we still cannot share our strategy with them (SLA\_DGM).

Similarly, SLE SM said that “long-term relationships certainly help” but cannot be assumed to last “forever” unless both partners can offer to each other something that other companies cannot. Finally, even SLK OM commented on SLK’s relationship with CTV as follows:

A long partnership [...] might be just a weak one. Like in marriage people are married short time – divorce, or people can be married forever [...] I guess you would like to ask how our partnership with CTV [is]; I think it is between weak to medium. For the first two-three years it [was] quite strong, but as two companies keep growing [...] [they] might not grow in the same direction with them [...] and there will be some conflict (SLK\_OM).

Clearly, partnerships for the shipping lines and end users seem to be about longevity coupled with matched objectives. Similarly to CTX managers, the respondents from customer companies were found to see partnerships as **strategic** as well as **long-term** relationships.

As has been noted earlier, partnerships are also associated with **trust**. Indeed, as felt by the respondents, long-term cooperation and the pursuit of mutual goals is heavily based on the trust developed between the two organisations and people representing them. For instance, SLA\_DGM mentioned that it is crucial to develop “person-to-person dialogue” at different levels of the two companies’ managements, since this is the basis of mutual trust. Similarly, EUH’s President argued that “anybody can put the boxes and the containers on the vessel, [...] but not [everyone] can help [EUH] to manage the softer side of the business”, like “honesty and integrity”. Similarly, SLB\_BVP and SLO\_OM emphasised the importance of openly sharing information about the developments of both companies.

You see the people regularly and that is mutual relationships and they tell you what is going on and what are new developments, so its [one] hundred percent mutual [...] very open and there are no secrets. What’s the point of the shipping line keeping secrets from the port and vice versa? (SLO\_OM)

Apart from the key associations with partnerships discussed above, one more has been revealed in the case of three respondents. Respondents from SLK, SLP and SLV believe that partnership is about a balance between quality and price. SLP\_OD said that a partnership is based on price and speed of service, SLK\_OM linked partnership with “value for money”, while SLV\_OM said:



A partnership in our view [is] two words: quality and cost. Quality for us as a shipping line in a port means when a ship is coming in she is operated [...] as fast as possible because the terminal is going to deploy as many cranes as they can (SLV\_OM).

Thus, these three companies which are not perceived by CTX as partners seem to base their associations with partnerships on the benefits *they* can get from the terminal, rather than on the mutuality of such benefits.

#### **4.6.4. Partnership initiation: Customers' motives and conditions for engagement in partnerships with CTX**

Bearing in mind CTX's motives and conditions for engaging in partnerships, and having obtained its customers' perceptions, the next step is to understand customer companies' motives and conditions for choosing (or not choosing) CTX as a partner.

##### 4.6.4.1. Cost-saving

The business of shipping lines includes turning around the volumes transported and time spent in the terminals. The less time a shipping lines spends on transportation, the lower their expenses will be. Therefore, the first thing a shipping line looks for at a terminal is the operations' efficiency and costs. Initially, back in 1994-1997, companies like SLM and SLK started to use CTX in order to decrease their costs, since CTX offered a number of incentives during its first years of operation. Thus, willing to benefit from this, SLM and SLK started to

work closely with CTX. SLM\_OM commented on this initial engagement in relationships with CTX:

We had original investments in CTX from our company [...] because the top manager saw this as potentially rewarding [...] But also from day one we saw cost saving opportunities from moving cargo to CTX as opposed to others. From day one of a partnership we saw immediate financial benefit[s] (SLM\_OM).

A similar opinion was expressed by SLK\_OM:

They open[ed] in 1994, the second year they started operation we went in. Of course the [...] reason we signed a longer term agreement is [that] we also would like to have a more stable cost structure (SLK\_OM).

According to the OM, the reason for using CTX in the first place was financial benefit. This financial benefit came partially from CTX's discounts and incentives and, more importantly, from CTX's **location**. As mentioned earlier, under the "Open Door" policy the manufacturing companies started to move their cargo sources to South China from Hong Kong. Therefore, it became cheaper for end users to ship cargo from CTX rather than Hong Kong, due to its proximity to the newly established cargo sources and thus lower costs of inland transportation. At the same time, shipping from SEZ-1 did not require crossing the border with Hong Kong, which reduced administrative delays. Finally, the first shipping lines to use CTX could benefit from new, nearly empty terminal facilities, which did not suffer from congestion. Thus, being located close to cargo sources, CTX represented a cost-saving option for both shipping lines and end users.

The location, thus, was an important condition for customers to partner with CTX. However, the cost-savings based on location lasted only a few years. At the time of this research cargo sources had started to migrate further inland, away from the coastal line, making CTX's location less attractive than before. Therefore, although important, location alone does not seem to be enough to stimulate the formation of a partnership between a buyer and a seller.

Indeed, while SLM and SLK initially engaged in partnership with CTX in order to save costs, it seems that in case of SLK this was the only motivation. Indeed, once the saving was no longer there, due to CTX's growth and also increased competition in the SEZ-1 area, SLK switched suppliers. SLK\_OM felt that by increasing prices CTX somehow "forgot" the favour that SLK made for it in the first years of its operation:

[In] the first few years when [CTX] started they needed us. Because they are [part of CTX's parent group], but [in] their location [...] they have troubles and that's why they invited SLK to be in [...] they wanted our brand. But [now] they are famous they don't need us (SLK\_OM).

Following its cost-saving motivation, SLK signed a long-term contract with CTV:

In [the] early 90s China export [was] booming and of course the early twenty years [it] was crazy. That's when we started to negotiate with CTV. We anticipated [the] China market boom and CTX was asking for [a] rate increase every year, that's why we signed [a] longer term contract [with CTV]; and in the contract there is a complicated structure, which is a kind of [...] I cannot say a guarantee [...] but a cost protection in this area (SLK\_OM).

The two quotations above support the point demonstrated earlier, that price-sensitive customers are unlikely to be CTX partners. A very different feeling was expressed by SLM\_OM in relation to the situation when cost savings from using CTX decreased:

[There] was an immediate benefit. That changed over time. We don't see necessarily more profit moving containers out of CTX. Now it's more our customers see the savings [...] so in the beginning it was something SLM was driving because it was profitable to us, however now we see our customers are getting benefits from it [...] and our partnership with CTX has grown as such. Right now we are choosing them not because of cost, not because of our customers' demand necessarily, but because WE feel they are best to serve their customers (SLM\_OM).

It can be concluded that in contrast to SLK, for SLM the price of the service is not the primary issue; the cost-saving motive has evolved over time, and the company partners with CTX because it believes that CTX's service is superior to that of other terminals. Indeed, complementary to the direct cost-saving, another motive for partnership is having a dedicated service provider.

#### 4.6.4.2. Dedicated service

Several respondents emphasised the importance of service reliability. For instance, SLA\_DGM argued that the key in the SLA-CTX partnership is service reliability and the ability of CTX to keep its "promise". Similarly, SLM\_OM said:

I think that the overwhelming factor is the ability to deliver the services that they have promised. I don't think that there would be any trust or longevity or long-term

relationship if on a daily basis they were not able to deliver the product that they have promised (SLM\_OM).

Indeed, SLM\_OM mentioned that he almost does not monitor CTX operations, since he trusts the company's professionalism. Likewise, SLI\_GM said that his company needs a reliable terminal to handle the newly-employed mega-vessels, and that CTX is the best terminal in South China for this. Indeed, since more and more companies have started to employ a mega-vessel strategy, CTX's **location** has become an important condition for using it. All of CTX's direct customers mentioned natural deep water as one of the key factors affecting their decision to work with CTX. In terms of the trend of growing the number of operational mega-vessels which have a deep draught, the competition for berths with facilities to accommodate them is also growing. Therefore, shipping lines which already use mega-vessels and those which are starting to use them wish to ensure that they have a dedicated partner to serve them. Thus, CTX's deep water location is a necessary condition for companies to consider a partnership with this terminal. Indeed, even the GM of SLI, who does not see terminals as partners, emphasised that CTX's location is making his company use the terminal more:

Now the shipping industry is facing the stage when bigger ships start to dominate the market. CTX has the benefit of location. They have deep water which means that ships which are heavily loaded can be handled there. This is an advantage CTX has in comparison to CTK which is located in a comfortable zone as it is closer to factories [...] but it doesn't have the same water [...] So CTX is gaining a lot because of its location (SLI\_MD).

Although location makes it possible for customers to choose CTX in the first place, it does not seem to be the only criteria for choosing a service provider. Indeed, apart from necessary facilities, it appears that a dedicated service provider should be reliable and perform according

to shipping lines' expectations at the day-to-day operational level. Reliability of service was found to include several aspects. First of all, service reliability for customers is determined by the speed of service and, thus, by the level of the terminal's congestion. For instance, SLB\_BVP said that even through there is a long history of SLB–CTX partnership and that it is like a “marriage”, if congestion becomes a problem SLB will have to look for alternative suppliers.

I think the partnership is like [a] marriage but the problem is that if [the] export market is booming again and it becomes congested for facilities [...] so [that] we cannot find first availability [...] we will have to rebuild our relationships with some other service providers (SLB\_BVP).

The opinion expressed above relates to a paradox that was discovered through this case study: the terminal can offer excellent service and attitudes towards its customers, however the result of this “popularity” is that “traffic jams” can build up in the terminal, and the terminal is unable to extend its facilities indefinitely. The main fear of the terminal in this case is that the companies will be forced to change supplier. In connection to this problem, it was revealed that CTX's direct partners prefer CTX to have a “balance” between popularity and congestion.

Carriers want a very good terminal, a prosperous terminal, but they don't want to have a congested one. When you are very successful, than everybody comes in and you become congested, because you don't build fast enough for them [...] but if you build too fast and you are empty this is also bad for them [...] as they have problems marketing you (CTX\_CEO).

While better brand image of the terminal certainly affects the image of the shipping line, partners put speed and available service first in terms of desirable features. Thus, **affordable**

**level of congestion** is what contributes to the requirement of service reliability and, thus, is an important condition for considering CTX as a partner.

Additionally, CTX's partners have been found to look for accommodation of their needs, which go beyond day-to-day operations. Due to the nature of the business, where a lot is dependent on the weather conditions and the efficiency of the previous terminal, in the case of transshipment customers tend to have special requests on an "as required" basis. For example, SLM\_OM emphasised the **flexibility** of CTX to act in unforeseen circumstances:

We obviously try to create a good contract but sometimes there are certain weather conditions, typhoons, or economic crises[e]s, like now or end users demands which we didn't expect [...] And CTX has proved to be really flexible in its reaction, business reaction to our needs (SLM\_OM).

In addition, respondents from SLB, SLA, SLE and EUH mentioned that by partnering with CTX they can access "better deals", lower rates and specific solutions to their problems. For instance, SLB\_BVP said:

[In the] short term I think we need a service provider which provides better condition[s].  
In [the] long term we [will] probably work together with enough cargo handling volume and a better contract and a better deal (SLB\_BVP).

Indeed, CTX provides both priority handling and special deals to its customers, and prioritises their requests in case of urgency (e.g. see Box 4.4. in Study 1). CTX has also developed a number of customer-tailored projects. For instance, the President of EUH said that CTX has developed a special IT solution for his company – a customised cargo tracking system – and has also provided EUH with special rates for the Christmas period – a peak time for every toy

company, like EUH. Thus, it can be concluded that CTX's partners look for day-to-day service reliability, supplier's help with unexpected situations, and "special deals".

#### 4.6.4.3. Service differentiation

In a way, the motive above leads to the next one. Some of CTX's direct partners were found to engage in partnership because of the feeling that their services to end users are combined with those of the terminals. Therefore, a terminal's performance and reputation affect those of a shipping line. For instance, SLE\_SM said:

When we sell to our customer we also sell CTX's service. So [there is a] certain percentage of [CTX's] reputation included [in] our reputation in front of our customers (SLE\_SM).

Thus, by partnering with a reliable terminal like CTX, shipping lines can send a message to customers that the service they will receive is of high quality. As argued by SLM\_OM:

[CTX] showed themselves as what is generally accepted as a superior and reliable port. That reputation makes our job much easier, because [we] are selling something which is reliable, well known (SLM\_OM).

It follows from the quotation above that if a shipping company wants to differentiate its service its choice of partners will be subject to a terminal's **reputation**, since if the reputation is strong the terminal is easier to "sell". An important part of what is considered by customers as strong reputation was found to be **financial stability**:



The financial situation of our vendor is very important, the financial stability, the ability to handle this service is very important, [as is] the reputation (SLA\_DGM).

The respondents said that the shipping market is very transparent and information about the financial situations of all the companies is hard to hide. Therefore, dealing with an insolvent terminal would damage their reputation, while dealing with a financially stable one would contribute to it. Indeed, CTX has been the most financially stable terminal in South China over the last 15 years (see Table 4.3).

Moreover, by partnering with terminals and jointly investing in the overall service (e.g. EUH's depot at CTX, see section 4.4.1.2.), shipping lines can show end users that they are making additional efforts to provide the best service. Indeed, as mentioned by various respondents from customer companies, shipping lines are rarely treated as more than means of transportation. For instance, EUH's President views shipping lines as "interchangeable". He commented on EUH's relationships with them as follows:

[With] shipping lines you are [mostly] dealing in commodities, you know, like: "give me a price for the year". It is really a commodity business.

In general we use 8 to 10 shipping lines and if one guy is not servicing us, you have got more guys [...] You know my view is that this is all not as important to me at the shipping company level; it is very important on the logistics company level, consolidation into [a] model movement and, of course, at the shipping terminal [level] when this all comes together (EUH\_President).

At the same time, he noted:

We do have relationships with certain shipping companies where they are involved in some way [with] transportation and consolidation [...] those relationships [involve] a lot more of a critical [events than] simply shipping these 5 containers from here to there (EUH\_President).

It can be thus concluded that the only ways for shipping lines to differentiate their service from competitors are on price, affiliation with a reputable terminal and participation in cargo consolidation for end users, which can be done in partnership with a terminal. Thus, one of the shipping lines' motives for engaging in a partnerships with CTX is to differentiate their services from others and, thus, to improve their competitive positions.

#### 4.6.4.4. “Local agent” on Chinese market

International shipping lines and end users were found to struggle with the administrative system of Chinese customs (e.g. See Box 4.6). As explained earlier, the Chinese cargo clearance system is regarded as inefficient by the terminals' customers, and used to be the main obstacle for causing what CTX\_CEO called the “vicious cycle” – a situation when shipping lines did not want to use CTX because their customers were unsure of the customs procedures, and the indirect users were reluctant to use CTX since no shipping line was calling it. Therefore, for both direct and indirect customers, partnership with CTX was driven by the need to have a “local agent” in the market that could assist with customs procedures. For instance, SLI\_GM said:

I think that we started working together because of the development of the South China region and CTX being one of the key terminals there. They are very active on the market

and on the regional level they have some weight; so regional government listens to them (SLI\_GM).

The same reason has been found to be key for end-user engagement in partnership with CTX; the respondents from all three of the companies interviewed emphasised the importance of CTX's *connections* and *relationships* with the local government, as can be seen from the quotations below.

CTX is very strong here, probably stronger than any other terminal. They have very good facilities and also they have many connections [...] They have contacts with carriers and with our customers [...] and they also have relationships with the government. So for us they are easy to sell (EUU\_GM).

We were happy to partner with them. We are not a Chinese company, so it is very important to have a reliable partner who can advise on particular issues, for example, CTX has relationships with [...] customs, they know the procedures, they understand them and they can then communicate [them] to us [...] So they can help us to feel better in this environment (EUH\_Vice President).

EUU\_GM emphasised the fact that for EUU, as a freight forwarding company, CTX is “easy to sell” to their clients because of its *guanxi*. Indeed, as can be seen from the words of the EUH respondent, end users are mostly interested in fast and efficient cargo clearance, which still remains a problem in China. Thus, all parties –freight forwarders, shippers and shipping lines – feel that being associated with CTX gives them more credibility in the eyes of local government and their customers. Indeed, when CTX's business took off, companies like SLO and SLE found it beneficial to be associated with the CTX name in terms of doing business in South Asia. CTX is seen by all its customers as a strong player in the shipping network. Thus,

working with it can contribute to customers' reputations. Its customers' feelings of increasing their own reputation by working with CTX and thus getting easier cargo clearance has been mentioned several times. CTX\_CEO said that when clearing the ship "officers look at the reputation of the shipper". Box 4.12 presents some extracts from CTX communications.

#### **Box 4.12. Customs advancements**

"For import cargo, Customs will allow [a] pre-declaration, and will cancel [a] written manifest review and approval procedures, thus cutting out 1-2 days for declaration. **Reputable companies** are allowed to pre-declare their import cargo before vessel arrival. Customs will review pre-declaration, and levy taxes and duties in advance; and then release containers upon landing" (CTX Press Release, 23 July 2004).

"At the request of international shipping lines such as **SLM and SLE**, SEZ-1 Customs has upgraded its computer system and simplified the documentation procedure for international trans-shipments" (CTX Press Release, 6 April, 2005).

As can be seen from the CTX press releases, SEZ-1 customs provide better conditions to *reputable* customers. Since CTX has been collaborating with customs since the start of its operations, it can definitely facilitate cargo clearance for some of its customers. It can also be concluded that not every terminal can be the customers' "local agent" in the Chinese market. The key condition which a terminal should fulfil to be one is strong *guanxi* with the members of the shipping industry, such as government.

#### 4.6.4.5. Pursuit of mutual goals

The final customer motive for partnership with CTX was found to be the *desire* to pursue mutual goals. In addition to the need to have a dedicated service provider or a partner with *guanxi*, some of CTX's partners were found to see their partnership with CTX as a desirable relationship rather than something based purely on necessity. For example, when asked if the SLB–CTX partnership is driven by necessity, SLB\_BVP answered:

The necessity is there, we are first of all speaking in numbers, so yeah we need to have a reliable [and] dependable partner. However one point here: necessity alone would not help. Yes, we are limited in our choice of terminals, but CTX is not the only one. We need to have this understanding that we are doing a common thing, because [at] the end of the day we are serving a final customer, both of us! (SLB\_BVP)

In relation to what SLB\_BVP called “doing a common thing” the mega-vessel example is again relevant. Some companies, like SLI and SLV, use CTX's mega-vessel facilities because they want to get the best service. In contrast, SLM, SLB, SLA and SLE see the future of the shipping industry to lie in the increasing sizes of vessels, and expressed the desire to participate in the process of CTX's mega-vessel facilities development, as can be seen from Box 4.10, presented earlier. In addition, the companies that partnered with CTX early, like SLM and SLK, have done so, according to CTX\_CEO, because they had a “vision of developing of the Chinese market”. For instance, in relation to SLM he said:

We looked around for partners and they demonstrated this long-term interest in China, this vision of developing the Chinese market (CTX\_CEO).

Similarly, the President of EUH referred to the “mutual pursuit of excellence” and matches in CTX and EUH business cultures, and emphasised their joint involvement into railway development. CTX\_HCS commented on its partnership with EUH:

[The EUH Vice President] has a long vision that rail is [the] future of China. But if he has no belief in that how could we develop that [together]? (CTX\_HCS)

Apart from having a similar long-term vision, some end users were found to share CTX’s approach to dealing with customers. For instance, as already noted, CTX is a customer-oriented organisation, which has undertaken a number of customer-tailored projects. EUD is the global leader in logistics, with a focus on freight forwarding for manufacturing companies who outsource their production. Similarly to CTX, EUD puts a high emphasis on developing individual solutions for its customers, and works on an individual basis to agree on the times of cargo delivery. This point has been recognised by CTX\_MM\_1:

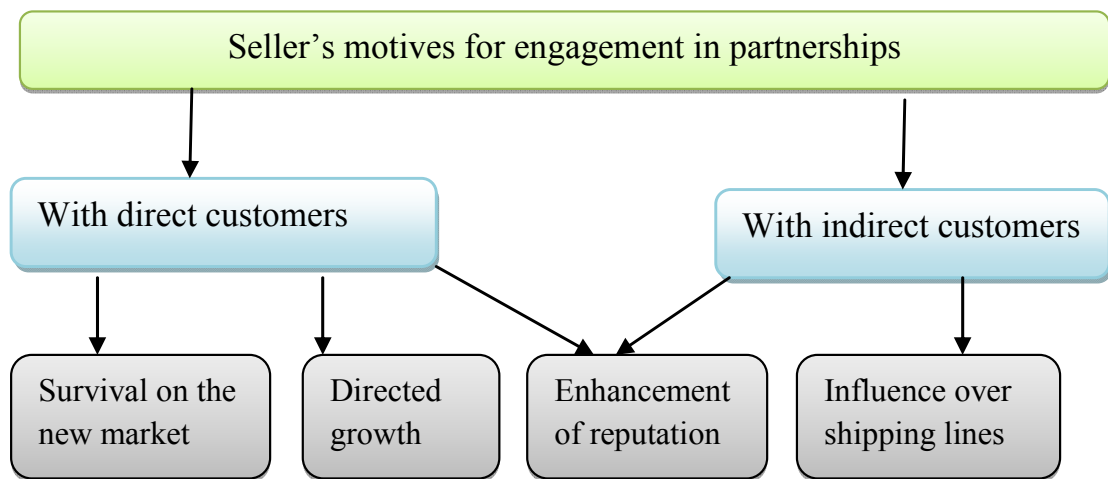
With EUD we have visited them many times and discussed with them why they chose us, why they supported us and why they chose us among other ports [...] In a way we share some values [in terms] of customer orientation, [and] we also share the value of working with end users [...] developing end user-port relationships (CTX\_MM).

It can be concluded that in contrast to the aims of cost reduction or overcoming Chinese bureaucracies, wherein partnership with CTX is needed, strong companies like SLM, EUH and EUD also partner with CTX on the basis of commonalities between their companies’ and the terminal’s values and directions of development. Therefore, the key condition for the pursuit of mutual goals is **strategic match** and a **match in corporate values**, since a mismatch means that the two companies have no ground for further development together, and might need each other only to carry on some part of business.

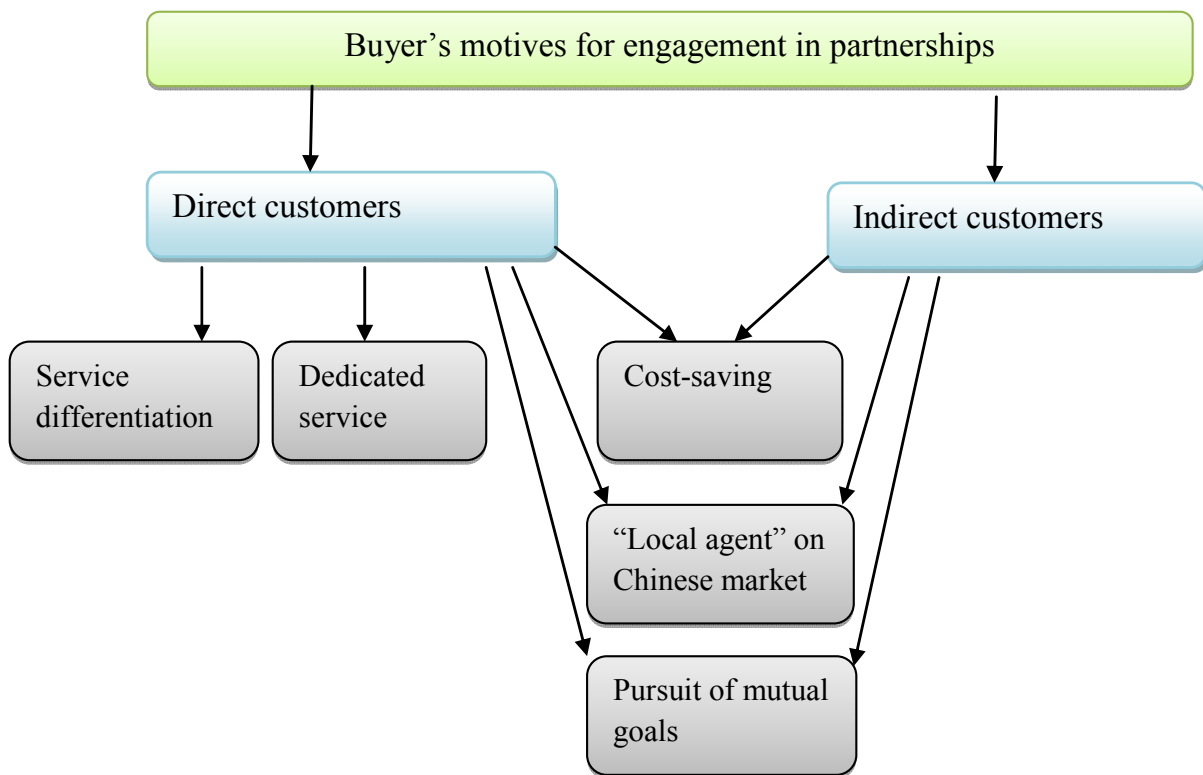
#### 4.6.5. Conclusion on companies' engagement in partnerships

Several motives and conditions for CTX's and its customers' engagement in partnerships have been found and discussed. Figures 4.7. and 4.8. present the parties' motives.

**Figure 4.7. Seller's motives for engagement in partnerships**



**Figure 4.8. Buyers' motives for engagement in partnerships**



As can be seen from the figures above, CTX has motives which are specific to customer type (direct/ indirect), as well as a common motive – reputation enhancement. Similarly, direct and indirect customers have a number of motives in common. Moreover, on the basis of all the data collected it can be concluded that partnerships are driven by a combination of motives. For instance, CTX chose SLM as its partner initially in order to survive and later on to enhance its reputation and to have directed growth. Table 4.16 below presents the motives across dyads.



**Table 4.16. Motives for engaging in partnerships**

<b>CTX's Motives</b>	<b>SLM</b>	<b>SLB</b>	<b>SLA</b>	<b>SLE</b>	<b>SLO</b>	<b>SLK</b>	<b>SLV</b>	<b>SLP</b>	<b>SLI</b>	<b>EUD</b>	<b>EUH</b>	<b>EUU</b>
Survival in the new market	X					X						
Directed growth	X	X	X	X	X	X	X					
Enhancement of reputation	X	X	X	X	X	X	X	X	X	X	X	X
Influence over shipping lines										X	X	X
<b>Customers' Motives</b>	<b>SLM</b>	<b>SLB</b>	<b>SLA</b>	<b>SLE</b>	<b>SLO</b>	<b>SLK</b>	<b>SLV</b>	<b>SLP</b>	<b>SLI</b>	<b>EUD</b>	<b>EUH</b>	<b>EUU</b>
Cost-saving	X					X					X	
Dedicated service	X	X	X	X	X		X	X	X			
Service differentiation	X	X	X	X	X							
“Local agent”	X	X	X	X	X	X	X	X	X	X	X	X
Pursuit of mutual goals	X	X	X							X	X	

Similarly to motives, several conditions were found to be simultaneously important for a company to consider its counterparty as a partner. Tables 4.17 and 4.18 present the conditions across dyads.

**Table 4.17. CTX's conditions for engaging in partnerships**

<b>CTX's Conditions</b>	<b>SLM</b>	<b>SLB</b>	<b>SLA</b>	<b>SLE</b>	<b>SLO</b>	<b>SLK</b>	<b>SLV</b>	<b>SLP</b>	<b>SLI</b>	<b>EUD</b>	<b>EUH</b>	<b>EUU</b>
Alliance affiliation	X	X		X	X		X					
Large cargo throughput	X	X	X	X	X		X					
Mega-vessel strategy	X	X	X	X	X	X	X	X	X			
Relatively low price sensitivity	X	X	X	X	X							
Strong reputation	X	X	X	X	X	X	X	X	X	X	X	X
Importance of the end users' industry										X	X	

**Table 4.18. Customers' conditions for engaging in partnerships**

<b>Customers' Conditions</b>	<b>SLM</b>	<b>SLB</b>	<b>SLA</b>	<b>SLE</b>	<b>SLO</b>	<b>SLK</b>	<b>SLV</b>	<b>SLP</b>	<b>SLI</b>	<b>EUD</b>	<b>EUH</b>	<b>EUU</b>
Location	X	X	X	X	X	X	X	X	X	X	X	X
Affordable congestion level	X	X	X	X	X							
Service reliability	X	X	X	X	X	X	X	X	X	X	X	X
Flexibility	X	X	X	X	X	X	X	X	X			
Strong reputation	X	X	X	X	X	X	X	X	X	X	X	X
<i>Guanxi</i>	X	X	X	X	X	X	X	X	X	X	X	X
Match in corporate values	X	X	X	X	X					X	X	

On the basis of the two tables, the difference between partnerships and prospective partnerships can be noted. Partnerships satisfy all the conditions that are important for CTX, while prospective ones rest mainly on the potential partner's strong reputation and adoption of a mega-vessel strategy. It seems that the absence of alliance affiliation, high price sensitivity and, most importantly, the absence of strategic match are conditions which prospective partners do not satisfy to be considered by CTX as partners. Similarly, those customers who are working with CTX only due to its location, reliable service, *guanxi* with government and strong reputation see CTX as a service provider rather than a partner. In contrast, those customers who appreciate CTX's efforts in terms of terminals' improvement, and who feel that CTX matches their companies' values, see CTX as their partner.

#### 4.6.5.1. The role of context in customers' engagement in partnerships

Similarly to CTX, its customers' engagement in partnerships is largely affected by the specificities of the shipping context. Indeed, the global trend towards mega-vessel employment, as well as the trend towards cargo consolidation in terminals, has made it crucial for shipping lines to have a dedicated terminal which can satisfy the shipping lines' requests. CTX has been named by customers as the best terminal for dealing with mega-vessels in SEZ-1. Therefore, in a way companies employing mega-vessels did not have an alternative partner in the region. Moreover, the shipping industry is subject to weather conditions, which also pushes shipping lines to seek partners who can provide them with special treatment under unforeseen circumstances. In addition, shipping lines and end users are exposed to the high power of government agencies in SEZ-1 and the persisting bureaucracy and complexity of

cargo clearance procedures. This local specificity of SEZ-1 has pushed companies to partner with CTX, which could help them to overcome the obstacles posed by the government. Finally, the factor affecting the end-user partnerships is the structure of their own business and the markets covered. For example, EUD conducts the majority of its transportation by ocean, which makes the company a greater user of terminal services and is likely to create more special requests and opportunities for collaboration in a partnership.

It can be concluded that while some customers' motives are based on their desire to seek partners with mutual goals or a strong reputation, customers' engagement in partnerships is also affected by a number of international and local Chinese factors.

Having presented the findings related to partnership initiation, the next step is to focus on partnership functioning and to discuss parties' behaviours in partnerships.

#### 4.6.6. Partnership functioning: behaviour in partnerships

##### 4.6.6.1. Actors' beliefs

Buyers' and the seller's perception of relationships with each other, as well as their perceptions of a partnership as a type of relationship, have been discussed above. Not surprisingly, similar beliefs were expressed by parties with regards to specific CTX–customer dyads. First of all, the respondents from customer companies expressed the belief that CTX's service is the best in South China. For instance, SLP\_OD said that although his company only uses CTX occasionally, CTX's services are better than those of any other terminal. Similarly, SLV\_OM and SLI\_GM noted:

It's hard to imagine a port as [good as] CTX in terms of quality of information [and] availability [of berths]. There is nothing we have to compare with [it] in the market (SLV\_OM).

I would say that apart from their advantages as a terminal it is really important that they take the initiative. They could be a supplier from the book [...] I mean when some strategic and marketing theories are described in the textbooks it is always very ideal, so CTX is the closest to this kind of ideal (SLI\_GM).

As can be concluded from the quotations above that prospective partners believe CTX's service to be far **superior** to any other offered in the region. At the same time, it can be recalled that despite this belief the actual throughputs of SLI and SLP are way below those of the top 15 (see Table 4.11.).

In relation to its prospective partnerships, CTX's managers were found to believe that their counterparts, although **long-term**, are rather **pragmatic**. For instance, in relation to SLV, the senior manager noted:

One of the reasons why they wanted to work with us [...] first because of bigger ships and secondly, because of the US market. [...] I mean when you talk about this – this is a very dry econom[y]: they need to compete on the US market and they know that the market has been more concentrated in CTX, that's why they have to come to us despite the higher price.

SLV is not like [SLQ], they are long term, and think more about development. [...] SLV is more interested in the rail development than SLQ, so at one point in time we talked together on how we [would] work on the rail development. And of course they are thinking of how they will work in land to deliver to [names of provinces]. Not that they are particularly relationship oriented, but they see the need to penetrate to the inland and they are willing to work with us on this (CTX\_SM).

As follows from the words of CTX\_SM, SLV is believed to have a sort of **common interest** with CTX, since it is interested in the development of inland transportation. However, the common interest seems to CTX\_SM to stem out of necessity rather than similar values. As can be seen above, SM highlighted that SLV is not “particularly relationship oriented”. When asked whether the CTX–SLV relationships were based on mutual or self-interest, the manager replied as follows:

They are more self-oriented I think, they look at us as a supplier. [...] I think whether we are successful or not is irrelevant to them. [...] that's the best word, I think – irrelevant [...] Why would they want us to be successful? They haven't invested in us, not in terms of marketing or physical investment, unlike SLM, unlike SLB, unlike SLC, which invested in marketing (CTX\_SM).

Indeed, SLV\_OM said that he expects that “CTX will support SLV’s growth”, and confirmed that SLV mainly pursues its own interests, since according to him “there is not much room for romance” in the shipping industry (SLV\_OM). Similar beliefs were expressed by the respondents in relation to SLI and SLP. Both companies were reported to be long-term customers, working with CTX for seven and eight years respectively, and were said to have started interacting with CTX more in the last few years. The key reasons for this were that SLI has started to introduce mega-vessels, and SLP has begun to employ more US routes. In relation to SLI, KAM said:

We try to consider all customers as partners [...] But honestly sometimes this is not quite possible. So with SLI I would say we are [at] the beginning of our partnership [...] SLI is [a] good client and they [have] started implementing mega-vessels [...] they are bringing more cargo, we are trying to help them [...] So I see this as a good potential partnership (SLI\_KAM).

Similarly, SLP\_KAM expressed a belief that “CTX might serve their purposes better in [the] near future” due to migration of cargo sources further inland where, unlike other terminals using trucks, CTX has a regular train. In both cases the account managers spoke about how CTX can “help” these customers or “serve their purposes”. Thus, CTX managers believe that their company should **pay a lot of attention** to these customers, yet at the same time demonstrate a belief that relationships are rather one-sided, like in the case of SLV.

It can be concluded that prospective partners of CTX formulate their perceptions of the supplier company based on the **current state of affairs**. Beliefs in aspects such as the superiority and reliability of the partner’s service and the ability and willingness of the partner to help them with their requests were found to be central for them. On the side of CTX,

prospective partnerships are seen as relationships where the supplier needs to pay high attention to customers, which is not necessarily reciprocated. CTX's managers' perceptions of prospective partners can be seen as **future-oriented**, since CTX wants to win these customers as partners in future.

In partnerships, the perceptions become deeper and the match between the perceptions of buyers and sellers becomes stronger. For instance, partnerships between CTX and its customers were seen by both sides as relationships which are not only long-term, but also **forward-looking**. This means that the parties not only appreciate the history of relationships and current state of affairs, but also, as SLM\_OM said, "intend to continue them" in future. Similarly, SLA\_DGM and SLE\_KAM noted:

I think we need to continue what we are now doing [...] we are now doing very close communication with each other, we communicate our future planning, so we are sharing our expectations and planning about [the] future. So we need to continue doing this with each other (SLA\_DGM).

These two companies [SLA and SLE] are similar in terms of [the] volume they bring to us. [...] both are well respected in the industry so we expect them [to] continue our good relationships and develop them further (SLE\_KAM).

In addition, in contrast to relationships built around common interests where the supplier puts in more effort than the buyer, partnerships were found to be believed by both parties to be based on **commonality of visions** and **compatibility of values**. As already mentioned, the EUH President, for example, believes that EUH and CTX are "mutually pursuing excellence", while SLB\_BVP said that CTX shares SLB's goal of reducing CO<sub>2</sub> emissions. Apart from sharing common interests, partnerships were found to be seen by both parties as based on



**mutual development.** Indeed, the CTX respondents felt that their major projects have been developed in collaboration with their partners. The construction of Phases II and III of the terminal has been done in collaboration with SLM, SLB and SLA, while the railway transportation system has been developed together with EUH.

In partnerships, customers were also found not only to perceive CTX's service as superior, but also to feel **loyalty** to their partner. For instance, SLM\_OM said that if CTX experienced problems for two or three months, SLM's loyalty would "get the two companies through that". Similarly, SLB\_BVP, SLO\_OM and EUH\_President highlighted that their companies will stick to CTX's service, even despite its high price:

We are giving a lot of business loyalty to CTX, and this is different from other carrier[s]. Other carrier[s]' trade [maybe] goes to CTV and CTW as well as CTX. [...] But we have a service priority and we use mega vessel[s] and we use CTX (SLB\_BVP).

Once you have made a deal, and you are committed to it then you should stick to it. Not just change for anybody, who is offering I don't know [...] one dollar less [...] (SLO\_OM).

We have a reputation of seeing the business through good and bad times. I mean we stick with our supplier base when they get in trouble or they need help (EUH\_President).

It can be concluded, that this sense of loyalty of CTX's customers seems to be a successful result of CTX's strategy to create a "mental preference" for its service by its customers, as discussed earlier. However, on the other hand, CTX turned out to be more sceptical about loyalty in partnerships, and expressed a belief that loyalty is more of a partnership result, and should be constantly won by the supplier.

#### 4.6.6.2. Actions undertaken in partnerships

Having presented the beliefs expressed by actors in relation to their partnerships, this section presents the findings related to actions undertaken by the parties in the CTX–customer dyads.

##### *4.6.6.2.1. Contracts and informal agreements*

CTX and its direct customers work on the basis of contracts. The usual contract includes two key parts: the terms and conditions of doing business, and price. The terms and conditions define parties' responsibilities. These responsibilities include, for example, specifications on how much information a shipping line should provide in advance of its arrival to the terminal in terms of its containers, and what happens if a shipping line misses its berth "window", or if the terminal damages a container. The tariff is normally fixed on the basis of the volume the shipping line brings to the terminal and the sizes of the containers. Other operational information, in the form of concessions and special accommodations like berth availability and priority, tend to be included in a letter that CTX management calls the "side letter". Each side letter is confidential to the terminal–customer relationship<sup>31</sup>, and represents a legal document which, unlike the standard contract, is the result of individual negotiations where operational terms are specified for each individual case. For example, unusually long-term agreements are fixed in side letters.

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<sup>31</sup> Contracts as well as side letters are regarded by CTX as strictly confidential. For this reason, no samples were made available to the researcher. However, the researcher's understanding in this regard has been built on the basis of a detailed interview with the company's CEO.

Contracts were argued to be only one part of CTX's relationships with customers. Both parties acknowledged that their business is often run on arrangements outside of contracts.

For instance, CTX\_CEO said:

I think that contracts define legal ways of doing business, the financial aspects of doing business and some operational contingencies [...] but [...] you can't cover them all [...] and you can't cover all the joint projects that come up almost every day. So the contracts are only one of the vehicles of working together (CTX\_CEO).

Indeed, CTX was found to be proactive in **solving customers' unexpected problems**, as well as **providing special deals**. One example is an unexpected cargo shipment by SLE (see Box 4.13.); another is CTX's providing its main customers with flexible payment plans and discounted empty container storage in 2008-2009 (see Box 4.14).

#### **Box 4.13. SLE's unexpected shipment**

In the early part of this year we had a customer who needed to ship a large quantity of cargo [...] several thousand containers, but they could not accept them in the USA [in] one day they wanted to split [...] the arrival date, the arrival time [...] so we talked to CTX and [they agreed] to [...] let us [have] more [...] storage space and [...] storage time, and we [kept] most of the container[s] in the CTX container yard for 30 days or more than 30 days [...] We were shipping the cargo through the week, according to the customer's requirement[s]. All the time we were communicating quite frequently by email, by telephone, several times a day; me and my colleagues. [...]

We chose CTX because we have very good relationships and we can also get them to make decision[s] very quickly so basically [...] we are talking to them and within half a day we can have a decision on what kind of services they can provide and [for] what kind

of fee [...] and they also give us discount[s] [...] if we talk to other ports they would probably offer us [a] similar kind of a deal but that would take [more] time, like one day or two days, while with CTX we can fix it within half a day or actually within two hours. This is [a] kind of trust and understanding (SLE\_SM).

#### **Box 4.14. CTX empty container arrangement**

Moving empty container boxes is an inevitable cost for shipping lines. They are a part of the shipping lines' property, so it is the concern of the shipping company to bring empty boxes back to the point of departure. Under the high demand from shippers, shipping lines have a good rationale to continue shipping empty boxes back to China. However, under the economic slowdown in 2008-2009, the demands for shipment dropped, so empty boxes brought to China were no longer in demand. Therefore, CTX offered a discount for some of its customers to store their boxes in its warehouses. Under this situation it was cheaper for customers to do this than to rent another warehouse, and CTX was still making some money on the storage of empty boxes.

*Source: Interviews with CTX's managers and customers*

As can be concluded from these two examples CTX makes a number of efforts to respond to customers' requests. However, the possibility of arranging a particular deal has been found to be subject to the type of relationship. One indicator of the quality of the relationship for CTX is the duration of the contract.

Two prospective partners and one ex-partner of CTX were found to have annual contracts with the terminal; SLV was reported to have signed a three-year contract; and the contracts

with partners were found to be fixed for over three years. While no exact information on tariffs was provided by CTX's management, it was clear from all the interviews that the price paid by customers is a result of negotiations and relationships. CTX\_CEO's comments with regards to contracts are presented in Box 4.15.

**Box 4.15. Comments of CTX CEO on customer contracts**

"We have some standard tariff[s] now but we are not run like the government port authority where the tariff is published and you can get a copy [...] We don't have [a] standard copy [...] because every client will have some special treatment. Of course there is a basic rate, like if I do this handling for you and when will it be – how much do you pay. That's basic rate. But apart from a basic rate everything else will be different. If I am a big customer you know I will give you all sorts of different kinds of boxes, twenties, forties, forty-fives, fifty-twos, open top, special handling, refrigerated cargo [...] everyone is different, everyone will have a slightly different price [...] and this is negotiated" (CTX\_CEO).

"We keep [a] master spreadsheet of all these prices and that's a very secret document [...] because sometimes we are especially good to this client and not as good to the other client, so we discriminate, and depending on [the] relationships, depending on a situation sometimes we need somebody's help. We kind of pay them in kind [...] so those things are negotiated one-to-one" (CTX\_CEO).

As follows from Box 4.15, not all clients of CTX are given equal treatment, and the type of treatment they get depends on the relationship. Indeed, CTX\_CEO acknowledged that side

letters are not present in all relationships, but only for selected customers. For instance, although CTX has made a special effort to help all its big customers with the storage of the empty containers, only CTX partners were found to have the following special arrangements: priority berth allocation, provision of equipment for more efficient handling of mega-vessels, agreement to share the risk of end-user volume drops, extra volume-based discounts. In addition, CTX\_CEO noted that under unforeseen circumstances there are also customers who are given **priority**. For example, if the terminal stops working for several days because of a typhoon and shipping lines are queuing, the CEO said that “some will need to wait”. CTX managers have developed an informal attitude towards giving priority to partners under these kinds of situations. There is a sense of urgency among CTX managers in serving partners, which leads to giving them precedence over other customers.

In addition, the difference between partners and prospective partners of CTX also lies in the *number* of special deals provided by CTX. Furthermore, while in prospective partnerships it is CTX that solves customers’ problems, in the case of partnerships the CEO recognises **reciprocation**:

The closer the partner – the more dealings like this happen. I don’t know how they keep it psychologically [...] This is also psychological, that they know they can ask for help if they need it. I know if I need help I can go to some people, representing organisations, for help. And most of these things are not defined. [...]

For example if we go to them to help us to get their alliance to call us, because they are working in the alliances. We need a favour and we ask for help and they help us. Sometimes in exchange for something and that sometimes [i]s defined in a letter. [This] constitute[s] [...] ongoing relationships: sometimes they help me, sometimes I help them (CTX\_CEO).

It follows from the discussion above that CTX provides discounts on volumes, as well as other special deals and occasional solutions to both prospective and established partnerships. However, the depth and number of these special deals is higher in partnerships, where customers can also help the supplier when needed. Thus, it can also be concluded that CTX invests more resources in terms of time and equipment into its partnerships.

#### *4.6.6.2.2. Joint projects*

In prospective partnerships actions were found to be mostly undertaken by CTX. Joint projects were found to be rather **occasional**, like SLV's partial involvement in railroad development or some joint marketing campaigns (see Box 4.16. for an example).

#### **Box 4.16. CTX–SLV joint promotion**

“On 7 November 2008, CTX and SLV launched a joint promotion drive at CTX to introduce the new French Asia Line 4 (FAL4) service. Over 100 logistics practitioners and shippers from SEZ-1 and Hong Kong were [present] at the event. During the introductory session for the FAL4 service, representatives from both CTX and SLV highlighted the strengths of this new Asia-Europe express service, such as its sufficient carrying capacities and its optimum port coverage along the Asia-Europe route (CTX Press Release, 11 November, 2008).

In the cases of SLP and SLI, joint projects were not very successful. For instance CTX and SLP tried to set up a new service running through CTX. However, the project stopped after three months of operation because of complaints from end users about the high price of CTX's service. In case of CTX–SLI CTX attempted to invest in SLI's terminal in Russia in exchange for sharing its cargo-handling practices. However, as reported by SLI\_GM, the project did not materialise due to the economic crisis. In contrast to these examples, some long-term and resource-intensive joint projects were found to exist between CTX and its partners. Partners are involved in **co-planning**, like, for example, the layout plans for the containers on the vessels, which are planned together by CTX and SLM and CTX and SLB (see Box 4.17). In contrast to the attitude of prospective partners, where CTX is seen as a supplier which needs to solve any customer problem unilaterally, the example of minimising the “down time” demonstrates that in partnerships customers are much more willing to devote time and managerial efforts to “help CTX to help them” (CTX\_CEO). Partners are also involved in **co-developments**. For example, CTX and SLA and CTX and SLE developed strategies for serving end-user customers together. More serious co-developments take the form of major joint projects, which happen rarely, are long term and involve many layers of management. Examples of such developments are the co-development of the mega-vessel handling facilities by CTX in collaboration with SLK and SLM, and the development of the railway in collaboration with EUH (see Box 4.18).



#### **Box 4.17. Minimising SLM's "down time"**

As with every shipping line, SLM is interested in decreasing its "down time", which is the waiting time between the ship's arrival to the berth and the start of unloading its cargo. SLM and CTX worked together on a plan for decreasing this time. This required bringing together operating teams from both companies and working out the layout of the boxes on the ship in a manner that allowed CTX's equipment to be used more efficiently. Therefore, SLM implemented certain changes to its storage plans – the way boxes are arranged on the ship – and CTX made changes to its operations procedure. The CEO of CTX argued that this project, for him, was an example of the way a partnership between a terminal and a shipping line works:

"To minimise down time, for example, we said: 'ok, you want to minimise [this and] we understand that, but can you also help us with the following things, like in your ships' planning can you put your boxes in a certain way that would help us?"

We talk[ed] to some of the senior executives regarding this and they [said]: 'Ok, so you organise a team where your planners talk with our planners'. So we sen[t] our people to talk to their people and they decide[d] how they [could] change the planning mechanisms in such a way that would minimise the down time. I mean we talk about handling boxes, meaning more than just the cranes moving [the] boxes. This is planning [...] [there] is a lot of time [involved in creating] a seamless plan. So the way they work with us is what I mean by [a] partnership. 'Let's talk about how we can [work] together achieve certain productivity. So they say: 'all right, I can do the following things in my shipping and storage plans, you can do certain things in your execution plans'. The extent to which we can match these plans [affects how good the] result[s will be]. So we set up the process of the partnership operation like that. This is, in my opinion, what a partnership should be. And we achieve certain results with that and these results are shared (CTX\_CEO).

#### **Box 4.18. The “green train” project of CTX and EUH**

The green train is the biggest project ever developed by CTX with its partner organisations. The idea came from several sources. First of all, with the growing number of shipping line companies calling the terminal the surrounding area became very congested with trucks moving containers from and to the factories. Secondly, more and more end-user companies, as well as shipping lines, started to adopt green policies, which entailed less emission of carbon dioxide.

CTX, noting this demand, realised that transportation by train from the terminal inland and vice versa would be an ideal solution. However, the railways in China belong to the Chinese government. Therefore, CTX had to negotiate with the local government in order to be able to use the rail. On 2 July 2003 the train service started and CTX stated in its press release:

“From 1 July 2003, customers can now enjoy a direct express container rail service between CTX and [name of the region] provided by SEZ-1 Railway Company.

This door-to-door rail transportation service features convenient and simplified customs clearance procedures [...] As a daily shuttle service, trains depart from [the name of the region] at 23:50 each night and from CTX at 16:00”.

Further negotiations led to CTX acquiring part of the railway which connects the terminal with several cargo source stations inland, which amounted to 24 kilometres of rail (CTX internal documents). This agreement with the government would not have been possible, however, without proof that it was needed for attracting more business to the region. Here, EUH showed its desire to invest in the railway and in the train which transports the containers. EUH became not only the first user but also the actual “face” of the train by putting its brand name and images of its products – toys – on it. In the journal published by [www.gaports.com](http://www.gaports.com), *Anchor Age* (2007), EUH’s Vice President commented on the green train project:

“With more people concerned about environmental protection, it is not only our company

that appreciates the rail service, but also our customers” (EUH\_Vice\_Preseident, *Anchor Age*, 2007, p.19).

By using the green train, EUH had the alternative means of transportation it needed, and was able to promote its green image. Indeed, according to *Anchor Age* (2007), “using trucks to ship 50 containers from [the name of region] to [CTX] will consume about 3,500 litres of fuel; a single train can do the same for a fraction of that amount of fuel, using only 240 litres” (p.19). At the same time, CTX obtained a development it was able to use for its other customers’ transportation. Meanwhile, the region benefited firstly from the new development, which was attractive for global customers of the terminal, and secondly from the media attention to the region.

The green train project is ongoing, since despite the two companies’ efforts the majority of local factories are reluctant to use the train service due to the higher costs of transportation and less flexibility in train schedule. At the time of the research, the two companies highlighted that their vision for the project was long-term, as otherwise the project would have stopped a long time ago. Therefore, the companies are continuously undertaking a series of negotiations with the factories, the government and the other end-user companies.

*Sources: Interviews with CTX\_HCS, EUH’s President and Vice President, CTX press releases, visit to the Cargo Sourcing Department, observation of the train service, and Anchor Age (2007).*

As can be concluded from the example of the green train project, the intensity of both partners’ efforts and the scope of their involvement are much broader than in the case of CTX’s unilateral development of a solution for a customer. The benefit from the project for CTX was clear: to provide “value-added and differentiated services to the customer” (CTX Presentation to an End User, 7<sup>th</sup> June 2007). Indeed, the train and the services developed around it, like an individual depot for end users, would allow end users to have alternative, cheaper transportation and would also reduce the burden of inland transportation from

shipping lines involved in service consolidation. However, no other company apart from EUH was ready to invest funds in the project, which was clearly long-term and dependent on too many contingencies (e.g. government agreement, continuous migration of cargo sources, importance of green transportation for end users, favourable economic climate, etc.). Indeed, despite his optimistic comments in *Anchor Age* (2007), in 2008 the EUH Vice President said that the project at that moment was “painful and not bringing any savings”. Despite this comment, he added:

We have to find a solution [...] and jointly we have to work to make it work. [...] All the guys working there, not just me, are working for the future and it's not just financial, the train project is about being green. [...] We have got to keep pushing it to make it happen (EUH\_Vice President).

EUH has acted as a pioneer for CTX, to be a partner in the project development and also the first user of the train. Indeed, EUH has provided a lot of support to CTX over the years of its negotiations with the government, and EUH's Vice President has accompanied CTX's CEO and HCS to meetings with SEZ-1 government officials. In addition, EUH has been continuously **investing** funds and its **reputation** in the train, and expressed the desire to continue doing so even in the tough conditions of 2008, thus sharing financial risks with CTX. This is a very different approach from that of prospective partnerships where customers invest their time at best.

#### *4.6.6.2.3. Communication and information exchange in partnerships*

All the above-mentioned activities involve communication and information exchange. The nature of communication, however, differs in prospective and established partnerships. According to the interviewed respondents, in prospective partnerships CTX and customers usually communicate on a weekly basis, while in partnerships like CTX–SLM, communication happens daily.

In the case of SLI and SLP, the key CTX persons in charge of them are account managers, with little interaction at a higher managerial level. For instance, SLI\_GM said:

To be honest I'm not involved [in] day-to-day monitoring. As soon as we sign the contract I don't need to [be] involve[d], I know they will always be on time. I get involved only when we have a problem (SLI\_GM).

Similarly, when asked whether communication is frequent between CTX and SLI and SLP, CTX\_CEO replied:

We have a system to communicate on a regular basis with all our customers. We invite them to the parties and social occasions and that's all on a professional level. If nothing comes to me I assume everything is ok (CTX\_CEO).

As can be seen from the quotations above, the heads of the two companies do not see any rationale in getting involved in the companies' relationship, since it happens around the core business of cargo operation and, provided that everything goes smoothly, does not require additional involvement. Similarly, EUU, a prospective indirect partner of CTX, is led by a manager from CTX's marketing department, with little involvement of

top management. In contrast to these companies, in all CTX partnerships communication was found to take place between various managerial levels. CTX\_CEO called this “**multilevel**” **communication**. When asked what makes CTX partnerships work, he replied:

Multilevel cooperation and communication. [...] Only multilevel! What I mean by multilevel [is] people at senior level, people at the operations level, people at the service level, even at sales level can cooperate, and continuously communicate with one another in terms of what they like [and] what they don't like in the service. How can we improve, how can they help us? What can we do [in] these areas? The more multilevel communication, the better [...] If it happens only at one level the cooperation is limited. If it happens only at the operations level, it happens in operations [...] but if it happens in marketing, operations, government, it ends up [as] a partnership. Not just [at] a single level, [but on] a multi-level [basis] (CTX\_CEO).

When asked if multilevel communication and cooperation takes place with all customers, the CEO said that “it happens only with better customers, who depend more on [CTX], who invest more, who like [CTX] more and who rely on [CTX's] services more”. As can be concluded from this, multilevel communication happens in those relationships where there are joint projects and deeper ties between the parties. For instance, in the CTX–EUH partnership, the key people in charge of communications at CTX are the Head of Cargo Sourcing, and a *team* of marketing managers. From EUH's side it is the vice president of the company who is in charge of these relationships and both operations and marketing teams. In the cases of SLO, SLE, SLA and SLB, CTX allocates key account managers and a senior manager to look after them. Moreover, CTX\_CEO has been personally involved in relationships with SLM and, in the early years, with SLK.

Where only the core business is concerned, CTX requires customer feedback regarding their difficulties and future plans concerning vessel deployment and intra-alliance collaboration, while customers require regular updates and CTX's prompt reaction in case of emergency. For instance, SLV\_OM said:

It is crucial for us to share with our partners [the] ways we are moving in terms of fleet deployment and for them to adapt their infrastructure to this new generation of big ships. Of course we don't go public until we [have] fixed any pattern of services or [a] new partnership. In the past months we have been developing a lot of partnerships with SLM, which is quite new [...] so we are sharing this information with our partners [...] to make them understand the direction we are taking and what kind of ships they will have to deploy (SLV\_OM).

As can be noted from the words of SLV\_OM, SLV does not tell CTX their plans before they are fixed. Similarly, SLI\_GM said that information his company exchanges with CTX is "usual commercial information on [the] service [CTX] provides", while SLP\_KAM noted that confidential information is rarely shared between CTX and SLP:

Sometimes I ask something [of SLP\_OD], but he tells: 'sorry, I can't tell you' [...] sometimes he asks me something as well which is very, very confidential and obviously I can't tell that as well (SLP\_KAM).

In established partnerships, information exchanges are more development-oriented, and information exchange occurring around a common initiative or plan is more **confidential**. Examples of such information sharing are vessel specifications provided by SLM and SLK to CTX during CTX's development. SLM\_OM commented on this information exchange:

As [the] shipping market is very, very transparent [...] competitors and partners [...] can observe what you are doing. You can't really hide a big ship! [...] But when you are coming with something new, like when you are the first to build this big ship you obviously want to win as much time as possible before your competitors catch up with you. So in that sense [...] if we share something like that that means we rely on our relationships, on CTX['s] honesty and ability to maintain confidentiality (SLM\_OM).

Another example of confidential information communicated by shipping line partners is information on the end users and *their* plans. For instance SLM\_OM provided one example of such an exchange:

I think it is very important that I communicate honestly with CTX about why our customers are making changes, [...] recently there were a lot of communication[s] that our customers can save costs from moving their containers to CTX instead of CTV so there is more business going there, but it is more based on their location and proximity to the factories as opposed to any superior service they are providing to anybody else. So being able to provide that real feedback to CTX on why more people are using their port is probably valuable to them (SLM\_OM).

Finally, as mentioned in Study 1, provision of the **the right of first refusal** by customers is very important for CTX. This requires customers to share the problems they experience in using CTX, and any reasons why they are considering switching. What is important is openness from the customer's side, and the provision of the opportunity for the supplier to participate in a discussion. It is also important that the right of first refusal is provided clearly, and communicated to all of the managerial levels involved in the partnership. For instance, when SLK had to change service provider, the management of CTX felt that the company had been betrayed, even though an understanding had been reached between the CEOs of the two companies.



The involvement of managers who are actually maintaining partnerships on a day-to-day basis is therefore absolutely crucial. The main rationale for this is that the reasons behind a change in service provider might disappear with time, and the opportunity for the partnership to be rekindled can appear. However, this might be complicated if the trust of managers is broken and there is no understanding at the working level.

#### *4.6.6.2.4 “Partnership-cementing” actions and special gestures*

Among the activities aimed at strengthening the organisational relationships are financial **investments** undertaken by buyers and the seller outside joint projects, and granting each other **places on the boards of directors**. These activities give the partner companies a stronger sense of their own importance, and at the same time ensure that a partner has official representation. For instance, SLM has purchased 10% of CTX and, as mentioned by CTX\_CEO has always been considered a co-developer, while SLB and STX have always had places on each other’s boards of directors. Finally, an exchange of shares between the two parent companies was named as a critical event for the development of the SLA–CTX partnership, as mentioned by SLA\_DGM:

The most critical [event was] a share swap in Europe [...] we [sold a] share of our [...] terminal to them and we [bought a] share of their terminal [...] and this kind of share swapping [brought] us closer to each other [...] when we think of terminal operations we think ‘CTX group’ [...] I think that [...] share swapping [was] one of the most critical [factors in strengthening] our partnership with CTX (SLA\_DGM).

Additionally, **personal favours** were found to be undertaken in the CTX–SLE, CTX–SLO

and CTX–SLB partnerships. For instance, SLB’s Senior Commercial manager noted:

They like you to tell them that they are special [...] to show that you are grateful for the business [and] that they are important (SLB\_SCM).

I remember one time when a senior executive from SLB called and asked for some particular favour [...] I would see if I could help and gave the feeling that I was paying attention, because you know that personal favour would be important to them (SLB\_SCM).

Similarly, CTX supported SLE when it went through major financial difficulties and almost went bankrupt at the time of changing its terminal from Hong Kong to CTX. SLE\_KAM said that CTX helped SLE through the provision of discounted rates and “some personal favours”. SLE is seen by CTX as part of a very strong alliance, which was one of the reasons for CTX’s support. In addition, SLE is a Japanese company, and is perceived by CTX as having a “long business memory”. This means that by doing favours for SLE at certain points in time, CTX can expect these favours to be repaid later on.

#### **4.6.7. Partnership functioning: relationship strength**

The discussion of parties’ motives for engagement in partnerships and their actions and beliefs in relation to the partnerships established have already shed the light on the strength of relationships in partnerships. This section concludes the discussion of CTX’s

partnerships by highlighting the specifics of trust, commitment, dependence and the role of personal relationships in them.

#### 4.6.7.1. Interdependence

As can be concluded from the earlier description of the shipping industry context, as well as from companies' visions of relationships with each other, actors in the shipping value chain are inherently interdependent, whether this is recognised by them or not. CTX's dependence on shipping companies stems from the **nature of the industry** as well as from **contextual effects**. First of all, CTX is dependent on shipping lines since they are the sources of CTX's income. Moreover, due to the increase in competition between the terminals in SEZ-1, CTX lost 10% of its market share between 2002 and 2008 (see Table 4.3), which put even higher pressure on it and contributed to its dependence on shipping lines, which was well recognised in managerial responses. In addition, as has been indicated above, big shipping lines form alliances (see Table 4.10), which means that their bargaining power increases since the total throughput they might bring to a terminal is greater than that of an individual shipping line.

Shipping companies also depend on the service provided by CTX. Even though some interview respondents said that if they are unhappy with a terminal service they will switch, this is not very easy to do due to the presence of high switching costs. For instance, CTX\_CEO commented on the shipping lines' dependence as follows:

They can't leave us tomorrow and we can't go without them tomorrow. Unlike if you go to the restaurant if you don't like it you go away and you don't come back. But in their case they have a schedule and they don't want to change it every day and they cannot change it every day [...] So once they [have] said all right I'll use CTX they will use it for a while [...] until they say: 'ok, you are so bad, we will change...' but they also have switching costs. Switching costs are their advertising, putting office here, establishing logistics, procedures [...] to change all that is costly [...] so people don't want to change every day (CTX\_CEO).

Clearly, the nature of the shipping industry is such that any change requires a lot of investment and takes a long time to realise, both for terminals and shipping lines. The shipping lines' dependence on CTX is enhanced by the **global trend towards mega-vessels**. As mentioned by many respondents, companies often do not have a choice and have to use CTX due to its natural deep-water location (e.g. SLV, SLI). In addition, CTX has undertaken additional efforts to increase its customers' dependence on it. As mentioned earlier, CTX has built very close relationships with local government, which facilitates cargo clearance for shipping lines (and end users).

However, despite these conditions, in the case of prospective partnerships each side assumes the other one to be more dependent. For instance, SLP\_KAM said that the **volume** brought by SLP to CTX is too small, and thus CTX did not depend on this customer. Similarly, when asked whether SLI depends on CTX, SLI\_MD replied:

No, we don't depend on them, [at] the end of the day we are their customer, so they depend on us more. Of course we depend on their service as we deliver it further to our customers [...] but other than that we are not tied by investments or something else [...] We want to use them – we use them, we don't want to use them – we change (SLI\_MD).

According to SLI\_MD the dependence on CTX is low since there is no investment from SLI into CTX. Moreover, both SLI and SLP are mainly involved in transshipment and do not use CTX as the main terminal in SEZ-1. Therefore, although they feel that they need to use CTX for mega-vessels, for other services their dependence on CTX is rather low. Similarly, EUU did not see itself as dependent on CTX, mainly due to the fact that there is no direct financial flow between them.

Partnerships are characterised by higher perceptions of interdependence by both customers and the supplier. Indeed, unlike prospective partners, companies like SLM, SLB and SLA were found to have a lot of joint projects with CTX, wherein time, funds and managerial efforts have been **invested** by both sides. CTX also sees itself as dependent on its partners, largely due to their high throughput (e.g. SLM accounts for 24% of CTX's total throughput) and also due to the need to get information on the changes in the industry and to a number of **specific projects** CTX has developed for its partners.

In the case of indirect partnerships, CTX sees itself as dependent on them, since they are big international companies, which can **influence the decision of shipping lines** in terms of terminal choice. Similarly, EUD and EUH see themselves as dependent on CTX since CTX has developed **specific solutions** for them (a depot for EUD and a unique IT system for EUH). Moreover, in the case of EUH the parties are tied by one big common project – the green train.

While prospective-partner customers felt an obligation to use CTX, in partnerships customers saw the inherent interdependence of the industry, and thus their interdependence with CTX, as a positive factor, as they felt that interdependence contributes to the smoother and better-organised service delivered to the final customer, as could be seen from the discussion of their attitude towards terminals.

#### 4.6.7.2. Commitment

Companies' commitment can be linked with their dependence on each other. CTX was found to commit to its partners first of all due to its dependence on them in terms of its core business and future development. As seen earlier, CTX has several important conditions for considering a customer as a partner, where customer reputation and throughput capacity are of high importance. Indeed, as discussed in the section on parties' beliefs, CTX's managers are rather sceptical with regards to possibility of "friendship" or loyalty forming the basis of CTX's commitment. With regards to what CTX managers see as commitment from its partners, respondents frequently emphasised signing the long-term contract and the ability to guarantee particular throughput.

I think if they sign the long term contract to use our terminal for three years this shows that this partnership is committed (CTX\_SCM).

From our side as a service provider we guarantee [a] certain service to them. On their side maybe they guarantee certain volumes to us [...] I think that's the most important [thing] to [ensure] commitment (SLA\_KAM).

In order to ensure its throughput, CTX has undertaken a lot of initiatives to increase its partners' dependence on its services, and has also tried to engage partners in joint projects. CTX's partners were not found to initiate any projects to tie them to CTX, but expressed both the need to have a partner terminal and the emotional comfort of working with CTX and people in it. As stressed by SLM\_OM, for example, SLM needs a particular level of service, but CTX is not the only terminal in the SEZ-1 area. Thus, working with CTX does not stem only from the ties developed by the companies, but also from the trust SLM feels in CTX's service and management. The emotional commitment of direct users is also stronger than that of the terminal. Several partners expressed the idea of feeling comfortable, "being able to sleep at night", and being loyal to the supplier. Several CTX partners expressed their commitment to CTX through including "CTX" in their vessels' names; for instance, in its press release (2007) CTX stated:

Currently there are seven container vessels with CTX included in their names, such as 'SLB CTX', 'SLC CTX', and 'SLM CTX'. Like seven floating business cards for the city, they are promoting SEZ-1 to the world wherever they go.

In the case of "SLB CTX", CTX linked the naming of the vessel after it to the increased volume commitment of SLB and a sign of SLB embarking on a mega-vessel strategy. Box 4.19 presents CTX's press release in relation to this event.

#### **Box 4.19. “SLB CTX” Maiden call at CTX**

“On 5 December 2005, a grand inaugural ceremony was held by SLB at CTX to welcome the ‘SLB CTX’, which is a newly launched container vessel bound for the American west coast service. ‘SLB CTX’ is 300 metres long and 42.8 metres wide, with a draught of 13 metres and a shipping capacity of 8,000 TEU, or in other words, the vessel would be able to carry close to 600,000 computer monitors. [...] Following the introduction of mega vessels by some of the major shipping lines, SLB has also enhanced its shipping capacity through the use of these types of vessels. In 2005, SLB deployed five 8,000 TEU vessels to increase its shipping capacity from CTX to other ports throughout the world. SLB expressed that they not only feel optimistic about the healthy marketplace and their expansion potential in SEZ-1 and its neighbouring areas, but they also believe CTX’s efficient operations and services will help reinforce SLB’s services.”

Similarly, indirect partners of the supplier also expressed more emotional commitment to CTX, as can be concluded from some of the quotations of EUH\_President. This can be explained in terms of the lesser dependence of indirect partners on the terminal.

#### **4.6.7.3. Trust**

All the respondents from the interviewed companies highlighted the importance of trust in their relationships with CTX. First of all, in both prospective and established direct partnerships the buyers and CTX believe in each other’s fulfilment of the contract. In a way, a



contract represents the start of a relationship, as indicated by SLI\_GM. Similarly, CTX\_CEO said that CTX does not conduct any deals without a pre-signed contract:

We have working protocols, we have contracts, experience in terms of using the services. We do business between people who know one another. We seldom have people coming and saying: ‘Hey I have a ship, will you handle it now?’ we don’t do that [...] Apart from verbal understanding, verbal commitment we have very detailed contracts and detailed procedures (CTX\_CEO).

In the same way, respondents from shipping lines said that, first and foremost, to conduct business with CTX they must believe in its ability to fulfil the contract and do what it has “**promised**” in the contract in relation to berth allocation, number of quay cranes working on a vessel, etc. However, equally, all the respondents recognised that a contract is not enough to have trust in the partner. Being part of the usual business procedure, a contract is signed and then, as mentioned by CTX’s CEO, is “put aside”. In addition, indirect partnerships do not operate on a contractual basis at all, and therefore there is no trust in the fulfilment of a contract found there. As can be seen from the examples discussed above, the shipping industry is full of unexpected events and, moreover, is dependent on environmental conditions. Therefore, what CTX’s partners meant by trusting CTX usually referred to its ability to solve their problems and provide the highest quality service under any conditions. For instance, recalling SLE’s unexpected shipment example provided in Box 4.13, it can be noted from the words of SLE\_SM that SLE chose CTX because it trusts its ability to provide a reliable service and to quickly adapt to the changed conditions of a customer. Equally, SLA\_DGM said that SLA’s trust in CTX is based largely on the terminal’s financial stability, while SLM\_OM noted:

We obviously try to create a good contract but sometimes there are certain weather conditions, typhoons, or economic crisis, like now or end users demands which we didn't expect [...] And CTX has proved to be really flexible in its [...] business reaction to our needs (SLM\_OM).

Indeed, trust in CTX's service superiority and, thus, CTX's **competitiveness** was one of the key beliefs expressed by both direct and indirect customers and was an important condition for companies like SLB, SLO, SLA and SLE for choosing CTX as the key partner in SEZ-1. In relation to this, customers have highlighted technical aspects of CTX, like its improvements in technology, investments in mega-vessel facilities and initiatives to improve cargo clearance procedures in SEZ-1. In the case of CTX's partners, it is also trust in CTX's competitiveness and "pursuit of excellence" (EUH\_President) that has made SLM purchase CTX's shares and, for SLB, SLA and EUH, to invest in CTX's developments. For CTX itself, the competitiveness of its customers was also found to be important, since one of the motives for engaging in partnerships with customers was to add value to CTX's own reputation. However, since its partners' competitiveness affects CTX only indirectly (the terminal is not dependent on the service provided by the shipping lines), customers' openness and integrity in sharing information was found to be more important. In relation to this, CTX partners have demonstrated more openness towards CTX than prospective partners, since information they share with CTX is often regarded as confidential.

#### *4.6.7.3.1. When does personal trust help?*

In addition to a company's competitiveness, the respondents also emphasised that it is important for them to be able to trust the people behind the company as well. For example, EUH\_President related the CTX–EUH partnership, the efforts undertaken by CTX\_CEO and his team and the trust existing between the two organisations to the trust existing between the top managements:

All of the guys in CTX under [CTX\_CEO]'s ten-year [management] were very studious on how to work with their customers. [...] Everything that we do and everything we have done with CTX and [CTX\_CEO] and his people [is] based on [the] pursuit of excellence (EUH\_President).

Similarly, when talking about partnership with EUH, HCS said that the partnership is working because EUH\_Vice\_President shares the same vision as that of HCS himself. Finally, referring to the beginning of CTX's operation, CTX\_CEO mentioned that partnership with SLK started initially from good personal relationships between himself and the CEO of SLK. Apart from the leaders of the companies, the managers dealing with each other on a daily basis were also found to be much more comfortable when they knew the other side personally. For instance, SLP\_KAM said:

Any time I need some information or anything I will call [SLP\_OD] and will get the answers I am looking for (SLP\_KAM).

Indeed, according to the respondents, personal relationships and personal trust are important for **information sharing** and **better understanding of the other organisation**, as can be further illustrated by the two quotations below:

For example, I trust that guy at CTX. I can call him any time if I need something, at the same time he can do the same if he needs something urgently, [if there is] something to know, [or] very sensitive information, [then] he can also call us [...] Person-to-person partnership is when we can share information, even [if it is] very confidential (SLA\_DGM).

You discuss business and through people you sometimes understand more about the whole organisation[']s perspective. Or you understand why they are doing certain things they are doing. Personal trust is a part of the partnership [...] sorry for bad wording [...] it can help, it can really help to talk (SLM\_OM).

In relation to the words of SLM\_OM it can be added that, according to SLM\_OM, his company and CTX have very different corporate cultures: CTX is more dynamic and reactive, while SLM is more conservative and standards-driven. Therefore, through informal discussions, managers can build an understanding of each other's overall corporate cultures and values. Similarly, SLV\_KAM mentioned that SLV is a family-owned organisation with very few people making decisions. Therefore, SLV\_KAM emphasised the importance of "finding the right people" to communicate with in order to understand the company's plans. Finally, personal relationships were found to be important in **negotiations** and under **difficult situations**, such as where partners are facing financial problems due to their own issues or those relating to the economic situation, where contracts need to be renegotiated prior to their expiry date. Personal trust in such cases is crucial both in reconsidering contractual terms and in the process of negotiations. For instance, SLB\_KAM said:

Sometimes we cannot progress [in] our negotiations and discussions, so at these times we can talk and personal relationships can help. Also when I need help [...] based on our relationships we can help each other, because sometimes I need their help and sometimes they need my help and under this situation personal relationships can help (SLB\_KAM).

In addition, SLP\_KAM noted that in the absence of good personal relationships negotiations are tougher and that it is mainly personal relationships between company representatives that help to reach a mutually beneficial outcome from negotiations:

For every commercial manager [contract renegotiation is a nightmare]. I think neither of us likes that when it comes to negotiation of the new contract for the year or next few years as we want to be helping our company and they want to be helping their company. But if there are personal relationships involved I think hopefully we can find [a] win-win situation (SLP\_KAM).

It follows from the quotations above that the respondents see personal relationships as an engine which can help to achieve better organisational outcomes. Through getting a better understanding of each other's organisations, a smoother negotiation process and a willingness to share information, the organisational relationships between the partners can improve as well. Indeed, EUU\_GM expressed the opinion that personal trust established between the companies' representatives is "projected" on the trust established between the partnering organisations. In relation to this he explained:

Personal relationships are always important even in business relationships, because partnership is about trust between people as representatives of the companies [...] If I represent my company to talk to another human being representing another company, then how much I trust him would be symbolic [of] how much my company trust[s] his company [...] so how he behaves will have a very big bearing on how we react.

[...] then of course when it comes to the time I need help once in a while [...] I am sure [that] those who I trust and those who trust me will be there for us and will make it easier (EUU\_GM).

Similarly, according to SLI\_KAM, it is natural to judge a company on the basis of its representative:

Organisational relationships alone are faceless and it is in [...] human nature to [...] evaluate if I can use this word the partner according to the person who is in front of you [...] so personal relationships are built on the basis of organisational [relationships] or sometimes actually the other way around (SLI\_KAM).

It can be thus concluded from the discussion in this section that personal trust is seen by the respondents as linked to organisational trust, and if personal relationships between the companies' representatives are good, organisational ones can be **strengthened** as well.

#### *4.6.7.3.2. The link between personal and organisational relationships*

It can also be observed from the quotations provided by SLI and SLP\_KAM, as well as EUU\_GM, that personal relationships are important in CTX's partnerships with Western customers. While it has traditionally been assumed that Asian companies mostly work on the basis of personal relationships, and Western companies tend to avoid becoming involved in these, this is not what the case study shows. Both groups of partnerships involve personal relationships as an important element contributing to the processes happening at an organisational level.

There is, however, mixed evidence with regards to whether Asian companies put higher emphasis on personal relationships and expect more personal attention from their partners than Western ones do. For instance, in partnerships with Asian companies, similarly to

partnerships with American and European ones, the hypothetical leaving<sup>32</sup> of a personal contact in the supplier's organisation was treated as a regular part of business and was not said to damage relationships. The question of whether a partnership would be damaged if key contacts leave the partner's company was asked in all interviews. The rationale behind this question was that CTX has been going through a change in CEO. Thus, when asked this question, SLO\_OM said that although at a personal level he might be "sad or disappointed that somebody has left the company", this would not stop their partnership with CTX. Similarly, SLE\_SM said that although personal relationships will need to be rebuilt, because "new people" would not have had the "ten millions of transaction" with his company, the partnership will continue. Finally, SLB\_BVP said:

Organisational partnership means that somebody has already penetrated each other, people have already selected each other. Everybody know[s] each other, they know, we know, which department, which person is the right communication party [...] also in [a] big company [like ours], [...]we have [...] standard negotiations or standard working [formats] [...] everything is already standardised [...] so without some people a suitable person can take over without any problem[s]. This is big company versus big company, so organisational relationships are more important (SLB\_BVP).

In relation to the same question, some respondents answered that if one person leaves CTX, it will not change the relationships since multiple contacts are established between their companies and CTX, and that trust has been established on several levels. This relates to what CTX\_CEO called "multilevel communication". When asked to comment on whether he thought that CTX-customer partnerships might change when he leaves, the CEO replied that

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<sup>32</sup> The term used by CTX\_CEO with regards to the hypothetical situation of a personal contact leaving the partner company.

if there are “500 people working with 500 people from another organisation”, which is the case in CTX’s partnerships, than nothing will change when he leaves. The CEO added:

A strong personal relationship is when people in charge take a pivotal role in managing both their organisation and their partner’s organisation and take extra time and effort to become known to the partner’s organisation and create an image that they will be of help to their client organisation. Some people go even further – becoming friends. Vacations together, travelling together. But the foundation of business is still economic, you cannot replace all economic relationships with personal friendships. This is dangerous. You want to build multilevel trust, [that] is my [opinion]!

Despite the opinion of the CEO that economic relationships should come first, there was one episode when CTX’s partner SLO demanded that CTX replace the KAM in charge of it (see Box 4.20).

#### **Box 4.20. Problem with SLO’s KAM**

A new account manager was appointed to oversee SLO. First of all, the account manager was younger than his counterpart – the operations manager of SLO. Secondly, he was not of Asian origin and probably tried to do it the “Asian way”, but did not succeed. His SLO partner initially refused to conduct any meetings outside the office, and when the new account manager invited the SLO representative to a CTX event he mentioned that he, like the SLO representative, had a Japanese wife, so it would be nice if his partner brought his wife and they could get to know each other. The operations manager’s response to this was that his wife has nothing to do with his business. Negotiations about SLO’s new services were going nowhere and, as a result, CTX had to change the person in charge of SLO’s account. The new account manager was someone already known to



SLO, who was old enough to match the age of the operations manager.
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The episode described in Box 4.20 is not unique in terms of CTX and SLO. As can be recalled from Study 1, on another occasion SLO's representatives were not satisfied with the hierarchical position of people at the meeting about an engineering solution. CTX mainly sent engineers, while SLO saw the absence of higher-level managers as a lack of respect. Indeed, speaking about SLO, the KAM commented:

They don't really take a leading role, they usually follow us, they are not really pioneers that much, but as [they are a] Japanese line you need to pay attention to the face issue when they come and deal with you and we do pay attention to those things, we have a cordial relationship, every time there are any changes in executive management they let us know and we let them know and we have a nice relationship with attention to face and things like that. [...] compared to SLV SLO requires more frequent attention in terms of their service level and because they are into personal relationships, so the time spent with them will be more (SLO\_KAM).

It follows from the words of SLO\_KAM that SLO views the personal attention of their partner's company as part of the overall relationship between the two organisations. Indeed, it seems from all the examples SLO provided that it is not personal relationships themselves, but rather CTX's intention to build them and to go the extra distance to demonstrate that CTX "appreciates the business SLO is bringing" (SLO\_KAM) that is seen by SLO as a sign of **respect** or face giving, as the KAM emphasised.

Finally, one more example can be provided to demonstrate how difficult it is to separate personal and organisational relationships and reactions in partnerships. As has been

mentioned previously, SLK is an ex-partner of CTX. Box 4.21 describes the reasons for the partnership breach, as felt by the CEO and other CTX managers.

**Box 4.21. Reactions of managers to the CTX–SLK partnership breach**

In 2003, after ten years of partnership, SLK sold its shares in CTX and went back to using the terminal it had been using before. CTX’s Senior Commercial manager described the situation as follows:

“We had a partnership before [...] what happened was [...] they were looking for a cheaper alternative, but without giving us the first right [of refusal] they left [...] because obviously they chose another terminal. But everybody knows that that terminal is cheaper than our company. This is not a secret. But [...] I am saying that they broke our partnership [because even though in terms of] charges there are some differences, but at least they could have said: ‘OK, I want to go there, can you match the rate they offer?’ But we didn’t have that chance [...] that’s why I am saying about the first right [of refusal] [...] at least they should give us the first right to say ‘no’. ‘Ok, that’s the rate they offer, can you match? If not then [we will leave]...’ but at that time we didn’t have that chance. So we lost them [...] So I consider that as a breaking of partnership.

Maybe [at] the end of the day I couldn’t do anything, but at least you should give us the first right to say ‘no’ [...] ok, I don’t say ‘come and buy whatever’. At least [...] give us [...] advance notice, [by] saying: ‘ok, I’m going, any chance we can talk, openly talk about that...’ we didn’t have that chance” (CTX\_SCM).

Following SLK’s withdrawal the majority of people in the company perceive SLK as being responsible for the breach of partnership between the two companies, and view SLK as being “transaction-orientated” and “unwilling to look at the long term” (SLK\_KAM). Two respondents, SLK\_KAM and the Senior Manager, said that they felt that SLK had “betrayed” their company.

However, unlike the senior management of CTX, the CEO saw the reasons for the withdrawal of cargo by SLK in terms that were not purely based on un-partnership-like behaviour. First of all, SLK was experiencing financial difficulties at that time. These were connected with its business expansion which took more resources than expected, along with a loss of customers. Additionally, the pressure of using the other terminal was coming from the level of the whole transportation group to which the shipping line belongs. As mentioned by the CEO of CTX, there were attempts from the side of CTX to help SLK at the global level (at that time, CTX was at the beginning of its tremendous growth and development). However, the parent company of CTX was against the plan as it was against CTX spending money to help the “sinking” shipping line.

In contrast to what was mentioned by the senior manager of CTX about the non-provision of the first right of refusal by SLK, CTX’s CEO mentioned CTX’s inability to match the price offered by CTV in any case. Reducing the price to that level would, first of all, be below the cost of the service’s provision, and secondly, if this information was leaked CTX could have lost other partners, like SLM.

“We still have our international relationships with them [...] At one point in time we were talking about strong international relationships, where [they] were [using our ports] worldwide [...] for some help in return, when they were desperate for money we could give them some money [...] but this didn’t come to fruition unfortunately [...] partly because of us, partly because of them... [...] Not because of CTX, because of our partners, our group [...] even though we had [...] very strong relationships all the way [to] the very senior level [...] but this didn’t work because of the inability to agree on the economic issues [...] so they went back to CTV” (CTX\_CEO).

The example above illustrates a number of issues in partnership relationships. However, one of these is the fact that there was a very quick human reaction in CTX towards the partnership breach. The non-provision of the right of first refusal was seen by senior managers of CTX as a sign of **disrespect** of the long-term relationship, and as a betrayal. Despite the understanding of the CEO that the partnership was broken for economic reasons and just

because SLK had no choice due to the pressure from its parent group, the attitude towards SLK in CTX has been formed and a business issue became a personal one. Although SLK started to recover from its financial troubles in 2005, when they signed a long-term contract with CTV, as can be seen from the Table 4.11, its throughput at CTX reduced by 16.2% between 2006 and 2007. The absence of a match in strategies between CTX and SLK has previously been discussed as one reason for the problems between the two companies. However, another problem can be seen in the overall attitude of CTX's management towards SLK, which is almost hostile.

On the basis of several issues discussed above, it can be concluded that all parties in partnerships tend to treat personal relationships as **complementary** to organisational ones. However, special attention should be paid to **respect** in Asian partnerships. Respect was found to be important to be demonstrated in day-to-day activities as well as under critical circumstances, like financial problems in the case of SLK.

#### 4.6.7.4. Additional factors affecting relationship strength in partnerships

Apart from the companies' own motives for engagement in partnerships and their behaviour in them, the strengths of relationships was also found to be affected by the influence of other members of each company's network. For instance, as previously noted, end-user companies can affect the choice of terminal. For instance, end users' reluctance to use CTX was named by SLP\_KAM as one of the reasons why little business flows between the two companies. Indeed, the launch of the new service planned by the two companies has largely failed due to

end users' reluctance to switch from CTV. Similarly, companies are dependent on their alliances' members. If several companies from an alliance are partnering with a particular terminal operator, the other members of the alliance have more reason to use this terminal. Firstly, these companies will enjoy extra benefits earned by other members of their alliance through partnership with the terminal. Secondly, the members of the alliance will inevitably carry a part of the alliance reputation. Therefore, the initial trust level will already be created, which can speed up the formation of a partnership. For example, SLE engaged in partnership with CTX after other members of the Five Star Shipping Alliance (SLC and SLB) did so. Similarly, SLO started to use CTX following SLK. Finally, as has been demonstrated through the example of the CTX–SLK partnership breach, partnerships are affected by their parent companies. In the CTX–SLK partnership, the decision to terminate the partnership was not reached entirely by CTX and SLK. Instead, on the one hand SLK's parent company took the decision to switch SLK to a cheaper terminal, as the company has been experiencing severe financial difficulties. On the other hand, CTX's parent company did not support CTX's initiative to help SLK financially, even though CTX was at a stage of massive growth.

It can thus be concluded that the strengths of relationships in CTX–customer partnerships is affected not only by companies' own decisions but also by a number of other factors and stakeholders which have an influence.

#### **4.6.8. An empirical definition of a buyer–seller partnership**

There are several key ideas following from the research, which highlight different angles of partnerships' nature and, therefore, need to be reflected in the final definition. Primarily, the involvement of both buyer and seller should be recognised. These include both the perceptions of the two sides of a partnership and their actions within it, which commonly develop the path for a partnership. Two types of partnerships were revealed in the study: partnerships and prospective partnerships. Additionally, these can be of a direct or an indirect nature. While partnerships can be characterised by higher strength, deeper trust, and higher perceived interdependence, and include actions undertaken by both buyers and sellers, prospective partnerships also demonstrate actions towards partnership development.

Each partnership, while having several points in common with other partnerships, has its own specificities. In an industry like shipping, where company operations and turnover are considerable, each organisation has a lot of individual characteristics which they bring to a partnership. As demonstrated by CTX's involvement in a variety of projects with its customers, the terminal operator takes a very individualistic approach to each partnership. The partnership approach can be seen here as the overall philosophy of doing business, rather than a set of steps that need to be taken.

It follows from the study that under the conditions of the shipping industry, the party which is more interested in partnering is the seller. This does not mean that partnerships are one-sided; quite the opposite – partnerships are mutual and reciprocal relationships.

Without reciprocation, neither party would continue to put effort into a partnership. However, more effort is made by the seller.

Another point is recognition of the roles of both organisational and personal relationships, along with the supplementary role of the latter. Also, partnerships are characterised by the presence of both a need and a willingness to partner. While need can be a driver at the beginning of a partnership, a partnership can only exist when both parties are willing to continue and enhance their relationship.

Partnerships are not simply long-term relationships. In an industry like shipping it is very difficult for a terminal or a shipping line to have short-term or even a medium-term relationship. However, long-term relationships do not intrinsically mean that there is a partnership between a buyer and a seller. The extension which partnering contributes to the long-term relationship is the forward-looking philosophy of the two companies within the partnership. The companies need to have a plan, a vision for future collaboration.

All partnerships are based on trust. Under unpredictable environmental conditions, it is trust which helps companies to maintain and develop their partnerships.

Finally, partnerships between buyers and sellers are heavily dependent upon a variety of factors, and therefore are very vulnerable relationships which are hard to maintain and replace and relatively easy to break, as has been demonstrated in the case study.

Based on the points above, a partnership between a buyer and a seller can be defined as *an interdependent, collaborative, long-term, forward-looking relationship, developed with selected members of the network, that is recognised as unique and needed by both parties, developed through interorganisational and interpersonal trust on the basis of common interests, with the purpose of the achievement of individual and common goals through mutual involvement in this process.*

A prospective partnership can be defined as *a type of interdependent, long-term relationship between a buyer and a seller, which is valued by both parties and developed through trust, with the purpose of further enhancement and contribution to the achievement of individual and common goals, where the initiative is mainly taken by one party.*

The key difference between a prospective and an established partnership lies in the depth of beliefs expressed and the scope of actions undertaken by buyers and CTX. Also, if partnerships have already developed plans for future development and, therefore, are forward-looking relationships, the activities of prospective partnerships are more oriented to the present situation.

#### **4.7. Conclusion**

This chapter presented the findings obtained from the two studies conducted in the Chinese shipping industry. Study 1 presented the context and the focal company, while



Study 2 highlighted the findings obtained from the research on 12 CTX–customer dyads. The findings covered the following key issues: managerial perceptions of a partnership, the motives and conditions of actors for engagement in partnerships and contextual effects, actors’ actions and beliefs in partnerships, the structures of relationship strength and the role of personal relationships in partnerships. The findings were concluded with the provision of a definition of partnerships, developed on the basis of the results of this investigation.

The following chapter discusses the results obtained in the light of existing literature, in order to see how this study contributes towards understanding the phenomenon of buyer–seller partnerships.

## **CHAPTER 5**

### **5. Discussion**

#### **5.1. Introduction**

This chapter brings together the research findings and the earlier contributions to studies of buyer–seller partnerships discussed in the literature review. The chapter focuses on several key aspects highlighted in Chapter 4: buyers’ and seller’s perceptions of a partnership, the motives and conditions for actors’ engagement in partnerships and actors’ behaviour in partnerships. Through doing so the chapter links the empirical findings presented in Chapter 4 with the previously developed knowledge on buyer–seller partnership presented in Chapter 2.

#### **5.2. Distinctive features of partnerships**

As discussed in Chapter 2, previous research has recognised that relationships developed between buyers and sellers are not uniform, since buyers and sellers are unlikely to desire the same relationships with all their counterparties (Laing and Lian, 2005) and have limited resources to allocate (Day, 2000). Thus, relationships were found to differ in terms of their formality (e.g. Buvik and Reve, 2002), longevity (e.g. Cannon and Perreault, 1999), forms of collaboration (Day, 2000) and relationship strength (Wong et al., 2010). Partnerships have generally been recognised by scholars as close and collaborative relationships (e.g. Fontenot

and Wilson, 1997). Similarly to all the authors mentioned above, it was found that the focal company, CTX, has at least four types of relationships with its clients:

- Short-term relationships with small feeder service providers
- Long-term relationships with shipping lines (e.g. SLK)
- Prospective partnerships with shipping lines and end users (e.g. SLV, EUU)
- Partnerships with shipping lines and end users (e.g. SLM, SLB, EUH)

Despite its claims in the external communications that it has “partnerships” with 36 customers, according to the managers interviewed there are only a few customers CTX considers to be partners. This mismatch between CTX’s “official sources” and managerial opinions provides further evidence of the problem in partnership research, as pointed out by Brennan (1997) and Lemke et al. (2003), who argued that “partnership” became a fashionable managerial term, frequently misused by practitioners. Indeed, it seems that CTX uses the term “partnership” for marketing purposes, without meaning that it has long-term, close and strategic relationships with 36 of its customers. However, without empirical research and investigation into managerial perceptions this distinction is not apparent, since if CTX is observed from outside one can have a very different idea of what a partnership is from what CTX managers believe it to be.

The analysis of customers’ perceptions of partnerships also points towards the rarity of buyer–seller partnerships. Although a number of shipping lines expressed the opinion that relationships between a shipping line and a terminal should be a partnership due to service interdependence, the respondents acknowledged that not every terminal can be a partner. Both sides highlighted long-term nature, closeness and strategic orientation as the key features of

partnerships. Out of these, long-term nature or longevity is the attribute which features most among the attributes of partnerships outlined in the partnership literature (e.g. Ellram and Hendrick, 1995; Fram and Presberg, 1993; Stuart, 1993). However, as the findings demonstrated, longevity of relationships was not considered by respondents to be enough for the existence of a partnership.

The shipping industry is a very specific one, where short-term relationships between a terminal and a customer are almost non-existent and all relationships are long-term. The extensive description of the shipping context and the facilities of a terminal allow understanding that shipping lines simply cannot use a terminal on the one-off basis. They have regular routes, which depend on their customers' cargo sources and destinations and cannot be changed easily. As can be seen from Chapter 4, a number of customers said that their use of terminals is often "forced" or "dictated by the market". At the same time, while nearly all the terminal–shipping-line relationships are long-term, they were found to vary with some being considered by the actors as buyer–seller or customer–vendor relationships, prospective partnerships, partnerships and even dissolved partnerships. Similar results were obtained by Laing and Lian (2005), who studied the health service industry. The authors proposed a relationship typology where interactive relationships, embedded relationships and partnerships are all of a long-term nature but show significant differences. The evidence from the two studies leads to the conclusion that in business-to-business service industries, longevity of relationships is necessary but not sufficient for the existence of a partnership, since long-term relationships correspond to several relationship types. What was found to differentiate partnerships from other long-term relationships was the intention to continue them in future (SLM\_OM) in order to pursue common goals (e.g. SLB\_BVP,

EUH\_President). Partnerships were found to be not only long-term but also forward-looking relationships, where parties willingly desire to continue them, rather than assume that they are forced into them. The intention to continue relationships has been found to exist only when companies have what has been called in the literature “strategic fit”, defined as “the overlap of partners’ interests in a certain area” (Il et al., 2009, p. 500) (e.g. mega-vessel strategy; premium price service for the end user), coupled with mutual efforts invested in partnerships. Among the numerous academic studies recognising longevity as a key characteristic of partnerships, only few attempted to take the concept a step further from duration. Thus, Lemke et al. (2003) suggested that buyers and sellers engaging in long-term relationships will not necessarily see themselves as being in a partnership, while Izquierdo and Cillan (2004) argued that the key feature of close relationships is not duration but “its anticipated prolongation”. Indeed, this research brings together these points of view and concludes that longevity without the intention to prolong relationships is not enough for the existence of a partnership. In order for a partnership to exist, longevity should be desired by both parties and based on the match between the companies’ interests and the mutuality of their efforts.

The match in companies’ interests, however, is also not enough for a relationship to be considered a partnership; it must be supported by the parties’ mutual efforts, commitment to each other and willingness to collaborate. For instance, SLV is one of the biggest shipping lines in the world and one of the top owners of mega-vessel fleets. It has a strategic match with CTX in terms of mega-vessel strategy and US market orientation. However, SLV was found to see itself as a recipient of a service, rather than a co-developer of a joint service to the end user. According to SLV’s respondent, CTX is expected was supposed to keep up with SLV’s growth, provide enough facilities and deal with road congestion. Similarly, in the case

of SLK, the strategic match with CTX in terms of mega-vessels is there, but trust has been broken and neither company considers itself to be committed to the relationship. Therefore, it can be concluded that only the **joint** presence of longevity, strategic match, collaboration and trust distinguishes partnerships from other relationships.

### **5.2.1. Partnership definition**

The types of relationships found in this research and the attributes of buyer–seller partnerships were decided upon based on the perceptions of the buyers and sellers themselves. This is an alternative to approaches which pre-define relationship types and then search for their attributes. This approach made it possible to take into account the perceptions of both sides, and to identify the nature of relationships which are perceived as partnerships by the actors, rather than following some “partnership attributes” developed theoretically. This approach allowed for the uncovering of indirect partnerships and prospective partnerships, which extends the knowledge on relationship types, and partnerships in particular. Moreover, as mentioned above, this research highlighted the importance of the joint presence of longevity, strategic match and closeness as distinctive partnership features. As a result, an extended definition of a partnership has been developed and a definition for prospective partnership has also been provided (see section 4.5.8).

The definition of partnership provided extends existing definitions in three ways. First of all, it clearly recognises the importance of the presence of a partnership to *both* parties. Secondly, it recognises the uniqueness of a partnership. Indeed, while showing similar characteristics in

terms of actions, beliefs and relationship strength, partnerships are arranged differently. There are many solutions which are customised by the supplier to fit the technological, corporate or cultural needs of a customer. The supplier takes a very individual approach to each partner, and the success of partnership is based largely on understanding the specificities of the customer's business. On the customer's side, the task is equally to understand the supplier and to be able to "help the supplier to help him". This, first of all, involves the attitude of treating the supplier as a partner. Therefore, in addition to a set of particular actions, "partnership" represents a business philosophy, based on understanding and respect, which guides actors in their choices and makes each partnership a unique "phenomena". Finally, the definition of partnership is based on multiple attributes that are important for both buyers and sellers. As can be seen from Table 2.2 (in Chapter 2), no definition of a buyer-seller partnership set forth to date simultaneously includes longevity, strategic match and closeness. For instance, Anderson and Narus (1990) see partnerships as relationships where parties share mutual understanding that their performance depends on each other, and thus coordinate their actions. However, such behaviour might be episodic rather than long-term and forward-looking. Indeed, SLV and CTX have in the past undertaken a joint marketing campaign to promote their services (see Box 4.16). However, neither company sees their relationship as a partnership. Similarly, Mohr and Spekman (1994) and Lambert et al. (2004) do not include longevity in their definitions. On the other hand, definitions provided by Ellram and Hendrick (1995) and Fram and Presberg (1993) recognise partnerships as long-term and close relationships, but do clearly specify the presence of mutual interests and goals. For instance, CTX-SLI relationships are long-term due to the nature of the industry, but are mainly focused around transshipment and lack mutuality of interests (SLI is a niche company with around 20 vessels in total, and are not deeply involved in mega-vessel development). Finally, no earlier

definition has recognised that partnerships are rare and are developed only with selected members of a company's network. Therefore, in comparison to earlier definitions which reflect only part of the nature of partnerships, the definition provided in this research covers all of the attributes that jointly make a relationship a partnership.

### **5.3. Partnership initiation**

The previous section explained that, in the context of the shipping industry in China, partnership was found to be a very special and rare relationship. This section addresses actors' rationales for engaging in such a relationship and in doing so compares the findings with regards to motives and conditions for engagement in partnerships with the existing knowledge.

#### **5.3.1. Motives for engagement in partnerships**

##### **5.3.1.1. Supplier's motives**

Several key motives for actors engagement in partnerships were revealed in this research (see Figures 4.7, 4.8). On the seller's side, the motives revealed in this study are consistent with Dodgson's (1992) argument that sellers engage in partnerships in order to increase their competitive positions. The author argues that manufacturing partnerships are formed when a firm needs to invest in technology development and aims to reduce the risks associated with it



through knowledge transfer. Indeed, following the global trend, CTX have adopted a mega-vessel strategy which requires building advanced cargo-handling facilities and deep-water berths, which are very expensive. Thus, CTX needed vessel specifications from its customers, which is very sensitive information and would not have been communicated by the shipping lines without trust between the two companies. It can thus be concluded that, complementary to manufacturing industries, desire for directed growth can be an important motive for partnership formation in business service industries, which are based on sophisticated and cost-intensive technology.

In addition, sellers were found to engage in partnerships when their businesses had struggled to “take off” in the new industry. In the case of CTX, this was due to the tight regulation from the SEZ-1 government and customers’ reluctance to use the Chinese terminal. This is a good example of what Tse (2009) called the “Chinese factor”, when international companies are unwilling to do business in China due to its bureaucratic procedures. Therefore, CTX desperately needed partners to ensure at least some cargo throughput and to have the opportunity to understand their problems with the cargo clearance system. Survival on the new market complements the motive of directed growth, since the latter is possible when both companies are already in the market and satisfy threshold market requirements, while the former points towards partnership development with the purpose of entering the market.

Another motive to engage in partnerships – enhancement of supplier’s reputation – is consistent with the growing body of conceptual partnership research (e.g. Tuten and Urban, 2001; Brennan, 1997; Ellram, 1995). For instance, Tuten and Urban (2001) argue that engagement in partnerships with the industry leaders can improve a seller’s prestige. Indeed,

one of CTX's aims in partnering with both direct and indirect customers was to send a signal to the wider shipping community that it is a reliable terminal, and, through this, to secure its market share and enhance its image.

Finally, an important finding of this research is the formation of partnerships between CTX and its indirect customers in order to obtain influence over the shipping lines' decisions on which terminal to use. Under the conditions of constantly changing market, where competition between terminals has been growing and the power of shipping lines has been increasing due to alliance formation and – as a result of mega-vessel development – route reduction (e.g. Olivier, 2005; Martin and Thomas, 2001), CTX's strategy can be clearly seen as the terminal's attempt to manage its dependence on customers through creating an indirect mechanism for influencing their decisions. Engagement in close relationships as a way to reduce uncertainty and to manage one's dependence has long been emphasised by TCT and RDT (e.g. Pfeffer and Salancik, 1978, 2003; Cannon and Perreault 1999; Eisenhardt and Schoonhoven, 1996). What is, however, new to the literature is the finding that indirect partnerships can equally be formed with this purpose.

#### 5.3.1.2. Buyers' motives

One of the buyers' motives to engage in partnership with CTX was found to be cost reduction. CTX was simply cheaper than other terminals in the beginning of its operation. Indeed, cost saving has been found as an important motive for engagement in partnerships by Makukha and Gray (2004). However, cost saving is arguably a motive that is not specific to

buyer-seller partnerships (Lemke et al, 2003). For instance, SLK, which engaged in partnership with CTX largely due to the opportunity to reduce costs, ceased to be CTX's partner once cost savings were no longer there.

Another motive for engaging in partnerships was found to be the need for a dedicated service provider. This motive can be linked with the global trend for cargo consolidation in the terminals, which has created a situation (Cannon and Perreault, 1999) where shipping lines and end users have to rely on terminals for a greater spectrum of activities than simply cargo operation. This increases the complexity of the service received by a customer from the terminal, and raises customers' dependence. Therefore, customers needed to ensure that the service they receive is reliable. Moreover, as discussed in the findings, shipping lines are interested in minimising the waiting time at terminals and thus, need the cargo-handling equipment to be available by the time of their arrival to the terminal. This finding is consistent with Soppe et al. (2009) who argue that under increasing vessel sizes shipping lines need to secure particular capacity of handling services in terminals. In addition, customers' expectations of dedicated service not only include getting better price deals and having their business understood by the supplier, as outlined in previous research (Tuten and Urban, 2001), but also relate to provision of preferential treatment and customised solutions. Preferential treatment of partners is something which has not been sufficiently highlighted in the literature on buyer-seller partnerships. A possible explanation for this might be that no company would openly acknowledge that it treats some customers better than others. However, the evidence obtained in the case study of CTX points towards the fact that, *ceteris paribus*, its partners are given priority.

Shipping lines were also found to engage in partnerships in the shipping industry in order to differentiate their services from those of competitors. Having partnerships with established and recognised terminal, shipping lines can offer a “better package” to the end users. The partnership literature has never explicitly suggested such a motive for buyers’ engagement in partnerships. However, this finding can be linked with the argument of Ploetner and Ehret (2006) that companies often undertake joint investments in order to obtain superior joint output. Likewise, buyers who saw their service as combined with that of CTX were found to invest their time, workforce and sometimes funds to collaborate with CTX on the overall service improvement.

Another motive for buyers’ engagement in partnerships was found to be their desire to have a “local agent” on the uncertain Chinese market, which is characterised by the persisting bureaucracy of Chinese government agencies. Indeed, similarly to the research of Tse (2009), the findings showed that there is a mismatch between the government policies declared to aim at increased cargo clearance efficiency in SEZ-1 and the reality, in which government procedures are seen by actors as largely bureaucratic. Due to the “fixed” position of the terminal and its large size, it has opportunities to get to know the environment and to develop linkages within it, which international and smaller-scale shipping lines and end-user companies cannot. Therefore, having a partnership with a terminal can provide buyers with support within the political and economic environment. It is not surprising that this motive has not yet been outlined in the literature on buyer–seller partnerships, since it is certainly very context-specific and is unlikely to be found on a general scale. However, in the frames of the Chinese context this finding is quite logical and points towards the remaining uncertainty

of the Chinese business environment for foreign companies, as highlighted by such authors as Wu and Davidson (2011) and Tse (2009).

Finally, some customer companies were found to engage in partnerships with CTX due to their belief in the better outcomes of such a close collaboration. The actors expressed beliefs in similarities between CTX's and their own goals and company values, and highlighted their willingness to pursue these goals together with CTX. Contrary to the positions of TCT and RDT that parties engage in close relationships only when they have to, this motive supports the relational approach, according to which companies might perceive close collaboration as the best economic situation they can have with the counterparty (e.g. Morgan and Hunt, 1999).

### **5.3.2. Conditions for considering a firm as a potential partner**

The conditions important in actors' decision-making for engaging in partnerships found in this research can be split into three groups: **threshold conditions**, conditions related to **strategic fit** and conditions related to **network identity**.

Convenient location and high service quality on the buyers' side, and large cargo throughput on supplier's side, can be argued to be key conditions, without which companies would not even consider a partnership. Indeed, if the location or service level does not match the customers' needs, there is no possibility to develop a partnership. Affordable level of terminal congestion and service reliability and flexibility can be related to service quality, which has

been emphasised as an important condition in buyer–seller partnerships (Humphreys et al., 2001). However, the location of the supplier is not among the company characteristics which are most highlighted in the academic research. The exception is a study of partnerships by Lemke et al. (2003); in their research on German manufacturing partnerships, nearby supplier location was found to be a feature of partnerships. Their research demonstrated that it is not only physical distance, but also suitability of location in terms of natural resources – which in CTX’s case is deep water – that is important. However, convenient location, like longevity of relationships, is necessary but not sufficient for a partnership. CTX–SLK’s partnership, for example, dissolved even though SLK is pursuing a mega-vessel strategy for which CTX’s location is the most favourable one available.

CTX and both of its groups of customers emphasised that a match in their strategies is an important condition for the existence of a partnership. In the case of direct customers, the match refers to the adoption of a mega-vessel strategy and relatively low price sensitivity on the customers’ side and a match in both companies’ corporate values, while in case of indirect customers, only the latter condition is needed. Therefore, this research is consistent with the partnership literature, which acknowledges strategic match or fit as well as operational compatibility as important conditions for partnership formation (Eisenhardt and Schoonhoven, 1996). The important extension here is the applicability of the condition of strategic fit to the formation of indirect partnerships, as well as direct ones.

Finally, there is a body of literature which suggests that all relationships are embedded in networks (e.g. Anderson et al., 1994), and therefore parties consider each other’s network positions when engaging in relationships. Indeed, CTX has been found to engage in

partnerships with customers that are considered to be “big and powerful”. The evidence from the case study suggests that being a “big and powerful” company in the shipping industry means that a shipping line must have strong reputation on an international scale, being affiliated with a shipping alliance and being able to bring large cargo throughput to CTX, while for an end user this depends on its reputation and the nature of the industry. These findings are consistent with Walter et al. (2001) and Saxton (1997), who stressed the importance of reputation for partnering, as it reflects the characteristics of the company’s market position, management and service quality. Indeed, CTX sees partnerships with such companies as contributing to its reputation and allowing it to attract other members of the shipping network. By partnering with reputed companies, CTX can create what Anderson et al. (1994) call a *constructive effect on its network identity*, since it is signalling its cooperative intentions so that it is visible to other actors, and at the same time demonstrating that it can satisfy the high demands of the industry leaders. Similarly, both groups of customers believe that affiliation with CTX makes it easier for them to sell their services. In the case of CTX it is not only its own network position but also the network of personal relationships it can bring to a customer which was found to be important. Personal relationships are widely acknowledged in the academic literature as being important in partnerships (e.g. Lemke et al., 2003; Ploetner and Ehret, 2006). However, this study highlights the importance of the *guanxi* of a supplier with other members of the environment, such as the government, as a factor affecting engagement in partnerships. Since government is the key decision-maker in the Chinese business environment and CTX has *guanxi* with it, companies partnering with CTX can expect that such a partnership will have a positive impact on their network identity in the eyes of the Chinese government. Overall, it can be concluded that companies engage in

partnerships with each other only when the potential partner's reputation can somehow contribute to their own network identity.

#### **5.4. Partnership functioning: behaviour in partnerships**

The usual approach to buyer–seller partnership widely adopted in the academic literature is to research and provide sets of buyer–seller attributes (Stuart, 1993; Mohr and Spekman, 1994; Graham et al., 1994; Ellram and Hendrick, 1995; Wilson and Jantrania, 1996; Saxton, 1997; Naude and Buttle, 2000). However, as argued in Chapter 2, the attributes provided are usually not specifically applicable to a particular aspect of a partnership, which makes it hard to identify the attributes' role. This study contributed to the partnership research by identifying and defining the attributes of buyer–seller partnerships which address particular aspects of partnerships. The first broad aspect relates to actors' behaviour in partnerships. The elements of actors' behaviour were conceptualised as consisting of what actors do – actions – and what they think – beliefs. Actions and beliefs found in partnerships are addressed below.

##### **5.4.1. Beliefs in partnerships**

Differences in managerial perceptions related to CTX–customer relationships were found across the dyads. In partnerships, i.e. relationships perceived as partnerships by both sides, CTX and its customers expressed similar perceptions about what a partnership is and, thus, what their relationships should be. Indeed, the companies' representatives often used similar



words to express their perceptions. For instance, CTX was found to see a buyer as a partner if there was a level of co-development in the business and if there was “more than day-to-day operation” (CTX\_HCSD). Similarly, buyers perceived by CTX as partners see a partnership as dealing not only on an “on the spot basis” (SLA\_DGM). Both sides saw partnership as based on long-term commitment, cooperation, extensive information sharing and “doing the common” thing. In contrast, in prospective partnerships, i.e. relationships not perceived as partnerships by both sides, customers’ perceptions diverged from those of CTX’s representatives. The predominant perceptions of a partnership by these buyers are based on the reliability and flexibility of the service obtained, whether a reasonable price was paid for it, any special arrangements that were put in place by the supplier, and the personal attention of the supplier’s management.

When describing their relationships with CTX, the respondents from prospective partnerships used phrases like “straightforward commercial relationships” and “customer–vendor relationships”. They saw CTX as an “excellent facility” and its service as the “best in the region”. The relationships with CTX were seen as long-term and built around a “common purpose” but mainly with CTX satisfying their requests, supporting them during “hard times” and “matching their growth”. CTX’s representatives described prospective partnerships as relationships where CTX is “paying a lot of attention” to customers and trying to “serve their purposes” in order to “win them in future”. In a way, the beliefs demonstrated in prospective partnerships can be described as necessary for a partnership to start – “**fundamental**” beliefs. The difference is that buyers expressed more beliefs concerning the service they are getting at the moment, while the seller expressed more future-oriented perceptions.

In contrast to the prospective partnerships, respondents from both sides of partnerships used phrases like “working together”, “growing together”, “sharing the same vision for growth”, and “having mutual need for a partnership” to describe their relationships. Moreover, the perceptions of customers were centred on “being close”, understanding each other’s goals and helping each other in the achievement of those, as well as openness and extensive exchange of sensitive information, and co-development of business. Thus, the perceptions of buyers and sellers in partnerships are deeper than in prospective ones. Fundamental beliefs are now supplemented with “**higher-level beliefs**” which emphasise mutuality. Beliefs of buyers in partnerships also reflect a more emotional commitment. Buyers expressed feelings of “loyalty” or “friendship” with the supplier, and “compatibility of organisational values”.

All the beliefs expressed by companies in this research can be summarised in Table 5.1 below, where “x” indicates whether the belief has been expressed by the buyer or the seller.

**Table 5.1. Beliefs in terminal–customer partnerships**

<b>Beliefs</b>	<b>Supplier</b>	<b>Buyer</b>
Long-term relationships (fundamental)	x	x
High attention paid by partner (fundamental)	x	x
Common interests (fundamental)	x	x
Superiority of partner’s service (fundamental)		x
Forward-looking (higher level)	x	x
Compatibility of values (higher level)	x	x
Mutual development (higher level)	x	x
Loyalty to partner (higher level)		x

Table 5.1 extends and systemises several attributes found to be related to parties' behaviour in partnerships (e.g. Wilson and Jantrania, 1996; Donaldson and O'Toole, 2000). Several attributes can now be grouped under "beliefs", and beliefs can be divided into "fundamental" and "higher level". The first group includes the perceptions of buyers and sellers towards the state and potential of the economic relationships between them, while the second group captures the emotions and feelings of actors towards their partnerships and partners.

Several conclusions can be made from the discussion above. Firstly, it seems that the perception of a company regarding "a partnership" with their buyer or seller affects the way the company behaves in a relationship and, therefore, the nature of the relationship. This reverses the conclusions made by Donaldson and O'Toole (2000), who found that particular types of relationships determine beliefs expressed by actors in these relationships. This research revealed that perception of "a partnership" by buyers and sellers in its turn formulates key criteria through which companies see their partnerships. Secondly, the descriptions of beliefs in partnerships and prospective partnerships found in this research resemble those identified by Campbell (1997) across four partnership types in the packaging industry. Prospective partnerships are close to what Campbell (1997) calls "customer-centred partnerships", which were found to be about keeping customers happy, with customers' perceptions being focused on price and the satisfaction of their needs. Similarly to CTX's prospective partnerships in Campbell's (1997) customer-centred ones "while customers may continue to buy from the same suppliers for a number of years, this does not necessarily mean that there is a long term commitment" (p.425). In both this and Campbell's (1997) research, customers stay with the supplier while their requirements are satisfied. However, partnerships in this research correspond to two partnership types identified by Campbell (1997)

simultaneously: “personal loyalty” and “mutual investment” (p.426). While in Campbell’s (1997) research the first category of partnerships is based on mutual understanding and solving each other’s problems, and the second involves technical collaboration, in this research partnerships demonstrated both types of attributes. The development of higher-level beliefs and, more importantly, the match between partner’s beliefs, comes together with more intense actions undertaken by partners. There is strong recognition in terms of mutuality of interests and needs, corresponding opinions on the value of partnership and the vision of its operation, and the company’s own role in it. The companies get involved in more activities which demonstrate commitment, like sensitive-information sharing, joint projects and specific investments, and pay more attention to relationship-building activities, in order to achieve the expected results. Comparing the results of this research with Campbell’s (1997) study, it can be argued that this study points towards partnership being a more complex type of relationship than predicted by Campbell (1997). The author suggested that even customer-centred relationships can be seen by actors as partnerships. This research contradicts this idea and suggests that, at best, such relationships are considered potential or future partnerships. A real partnership, according to this research, is one perceived as such by both parties, based on mutual rather than self-interest and involving both customers’ loyalty and mutual efforts of the parties.

#### **5.4.2. Actions in partnerships**

It can be concluded from the literature review that coordination of activities in a relationship tells a lot about the relationship type, since it refers to the ways parties manage their

interdependencies (Malone and Crowston, 1994). CTX was found to undertake a lot of efforts in all the relationships discussed in Chapter 4. It provides volume discounts and special deals to both its prospective and established partners. Apart from this, the terminal eagerly engages in a number of joint projects. In prospective partnerships, however, the reciprocation of CTX's efforts is rather limited. This is not surprising, since, as has been discussed above, customers in these relationships see themselves as recipients of CTX's service rather than "co-workers". Such a model of relationships is consistent with what earlier research describes as **cooperation**. For instance, according to Anderson and Narus (1990), cooperation is about achieving "mutual outcomes or singular outcomes with expected reciprocation over time" (p.45). Furthermore, according to Zacharia et al. (2009), cooperation involves simple information sharing and limiting one organisation's support of the activities of another when this is asked for and when it does not have a negative impact on the organisation. Indeed, the information exchanged in prospective partnerships is of a relatively non-sensitive nature and joint projects are one-off and short-term (e.g. CTX–SLV joint marketing campaign). In such projects, information sharing is seen by both parties as the key activity carried out by customers. This goes in line with previous studies conducted in the manufacturing industry (e.g. Ellram and Hendrick, 1995; Gentry, 1996), and proves the importance of information-sharing in relationships developed in service industries as well. Moreover, there is an agreement among researchers that open information exchange characterises cooperative behaviour (Heide and John, 1992; Noordewier et al., 1990). However, Campbell (1997) argues that information exchange aimed at supporting communication between partners is not viewed by sellers as a symbol of cooperation. In contrast to this opinion, the current research demonstrated that in prospective partnerships any information exchange is viewed by the seller as important and symbolising the buyer's intention to cooperate. In the absence of

longer history or high-volume commitment, the efforts undertaken by buyers in communication and information sharing become the key indicator of the buyer's willingness to develop relationships. In order to ensure the exchange of information, customers were found to invest their time and managerial efforts to "help CTX to help them". It is, however, CTX which is taking the lead and unilaterally investing its funds in the development of special solutions. These findings are consistent with the research of Helper and Sako (1995), who argue that it is seller that bears most of the investment in partnerships, and with Lettice et al. (2010), who suggested that investments are imbalanced in partnerships, since buyers do not bear financial aspects of these.

In contrast to prospective partnerships, partnerships were found to be characterised by both more efforts from the seller and higher levels of buyers' reciprocation. In particular, there is clearly preferential treatment of partners by CTX in terms of prices for service and CTX's resource allocation. In addition, the parties were found to be involved in the co-development of activities which go beyond just the buyer's benefit. For instance, the "green train" project was developed to improve EUH's transportation, but also to create additional competencies for CTX for serving other customers. Both companies have been found to continuously invest their funds in this project despite the difficulties encountered with attracting more customers to use it. Moreover, in cases of SLB, SLM and SLE customers even purchased CTX's equity, thus becoming partial owners of the company. Indeed, Soppe et al. (2009) have also highlighted the investments of the members of Five Star Shipping Alliance (SLC, SLB, SLE, SLH) into the terminals belonging to CTX's parent group. According to the authors such investments allow shipping lines to "defend the assets deployed on the main services" (p.16). This evidence contradicts the findings of Helper and Sako (1995) and supports the arguments

of Ford (1997) and Turnbull et al. (1996) that in partnerships investments are mutual and made by parties not only with the purpose of carrying out a particular project but also to demonstrate the faith of both parties in the partner's reciprocation. Actors were also found to communicate more frequently than in prospective partnerships and to exchange much more sensitive information (e.g. SLM's vessel specification). This corresponds to the behaviour described by Zacharia et al. (2009) as **collaboration**. However, according to Zacharia et al. (2009), collaboration can take place over short-term projects and stops when the project is finished. This research contradicts this point of view. Collaboration between companies was found to be continuous, involving on the one hand a set of actions which change when one project is fulfilled, and on the other hand a forward-looking way of thinking and beliefs in matches between the capabilities, cultures, plans and understandings between the companies.

It can thus be concluded that prospective partnerships are cooperative relationships, i.e. characterised by the exchange of non-sensitive information and imbalanced investments in short-term projects, where the supplier takes the lead. In contrast, partnerships are collaborative relationships, i.e. characterised by exchanges of sensitive information and based on the long-term and continuous engagement of both parties in joint projects, where mutual investments take place.

Additional actions that have not been covered by earlier partnership literature have been revealed as a result of this research: provision of the first right of refusal, and partnership-cementing actions. In fact, these go in line with the overall collaborative approach discussed above. "First right of refusal" means that whenever a buyer considers switching to another service provider, it communicates this information to the supplier. Therefore, the supplier

receives a chance to meet the customer's needs. If this is possible, the customer continues using the service; if not it leaves, but in this case there is no partnership breach, but rather a "pause" in the partnership. If the first right of refusal is not provided, as was believed by managers in case of the CTX–SLK partnership, the seller might treat this as a breach of partnership and find it difficult to ever rebuild it.

Among partnership-cementing actions are personal favours and gestures like the provision of places on each other's board of directors (e.g. CTX–SLB). According to CTX respondents, they have provided personal favours to several Japanese partners. CTX respondents highlighted that these companies had a "long memory", meaning that by providing a personal favour CTX managers could expect a favour in return when needed. Such findings are not surprising, since even though personal favours have not been explicitly attributed to partnerships, they have been widely discussed in the literature on *guanxi*, which states that personal favours are considered by some Asian companies a part of the overall business. (Xin and Pearce, 1996; Leung et al., 1996; Fan, 2002). As argued in the literature, personal favours represent part of the Asian mentality and constitute *renqing* – empathy or favouritism expected from partners and eagerly provided with the expectation of future reciprocation (Wang, 2007). Since no concrete examples of *renqing* were provided by respondents, it is hard to determine the nature of personal favours exchanged in partnerships. However, since personal favours were only mentioned in relation to Japanese shipping lines, it seems that this research supports the argument of Wang (2007) that the idea of reciprocation differs in Western and Asian relationships, and thus that partnerships between Asian companies have their own specificities.



Similarly to beliefs, several attributes relating to the way in which companies act in partnerships were found in this study. These actions can be divided into those present in both prospective and established partnerships, and those specific to partnerships. Table 5.2 summarises all the actions undertaken in buyer–seller partnerships, with an “x” indicating who undertakes the action.

**Table 5.2. Actions undertaken in terminal–customer partnerships**

<b>Actions</b>	<b>Supplier</b>	<b>Buyer</b>
<b>Actions in prospective and established partnerships</b>		
Information sharing <sup>33</sup>	x	x
Joint projects	x	x
Problem solving	x	x
Providing discounts on volumes	x	
Special deals	x	
Manpower/time investment	x	x
<b>Partnership-specific actions</b>		
Financial investment	x	x
Co-planning	x	x
Co-development	x	x
Giving priority	x	
Provision of the first right of refusal		x
Places on board	x	x
Personal favours (Asian partnerships)	x	x
Worldwide collaboration	x	x

The variety of actions presented in the table above extends the work of Donaldson and O’Toole (2000). They came up with the idea that different relationship types are characterised by different sets of actions, but did not specify these sets. This study revealed the particular

<sup>33</sup> Action mentioned by the majority of respondents.

actions undertaken by both buyers and suppliers in partnerships which makes it possible to systemise partnership attributes related to the behaviour of a buyer or a supplier.

## **5.5. Partnership functioning: relationship strength**

### **5.5.1. Interdependence**

Interdependence has been argued by scholars to be the key characteristic of buyer–seller relationships in supply channels, since parties depend on each other for the delivery of products or services to the final user (Frazier, 1983). Indeed, both CTX and its customers highlighted the fact that their services are linked and that a failure of either a terminal or a shipping line is seen by the end user as an overall service failure. In addition, business markets have been argued to be associated with complex exchanges and limited numbers of buyers and sellers, which also contributes to interdependence. This also holds for CTX’s case, since there are three main terminals in the SEZ-1 area and less than 50 shipping lines, which form alliances and thus make potential cargo volumes rather concentrated.

However, the levels of interdependence seem to differ in prospective and established partnerships. Two out of three prospective partners are not affiliated with any alliance and have just started to employ mega-vessels. Therefore, their potential throughput at CTX is relatively low and CTX does not perceive itself as dependent on them. For the supplier, these customers are a source of future benefits, rather than those it currently relies on for its main income. Similarly, due to their low volumes at CTX, buyers in direct prospective partnerships

see themselves as being less dependent on suppliers than the other way around. They believe that the supplier's position is fixed, while buyers can switch. In addition, relatively few joint activities are undertaken in prospective partnerships, which means that there are hardly any other sources of interdependence beyond the nature of the shipping industry. It can, therefore, be concluded that prospective partnerships are characterised by relatively low interdependence.

In partnerships, both buyers and sellers were found to perceive themselves as dependent on the partner. Parties' dependencies in direct partnerships seem to be rather balanced. On the one hand partners are big customers, on whose throughput and routes CTX heavily depends. On the other hand these customers bring significant portions of their cargo to CTX and employ a mega-vessel strategy, for which CTX is the best terminal in SEZ-1. With regards to indirect partnerships it can be argued that initially CTX was more dependent on big end users, since not every end-user company can influence shipping lines in their choice of terminal. However, in line with the argument of Ganesan (1994) that a more dependent party can balance dependence through undertaking partner-specific investments, CTX has developed a number of solutions and projects tailored to the needs of a particular end user, thus balancing its dependence.

In both direct and indirect partnerships both parties seemed to perceive their high mutual dependence as a positive factor, since they feel that it contributes to a better-organised service being delivered to the final customer. This finding goes in line with the theoretical proposition of Buchanan (1992) that interdependence contributes to the "increased predictability and flexibility of the relationships" (p.67). Moreover, actors in partnerships engage in a number of

collaborative actions, which further increase their dependence on each other. Both partners make partnership-specific investments and develop assets that are unique to the partnership, as they believe in long-term and continuous partnership. This is consistent with the partnership behaviour described by Morgan and Hunt (1994), as well as with Yilmaz et al. (2005) who argue that partnerships are developed when dependencies between the parties are balanced, since it is easier for the actors to develop trust. CTX has been found to provide customised solutions for each partner, like individual IT systems, special warehousing arrangements, and use of its inland depo linked with the terminal's railway, thus making it rather difficult for customers to change the terminal. In their turn customers frequently participate in these special developments as well as in other joint projects with CTX. Therefore, partners interdependence can be seen as linked to "stewardship behaviour" (Yilmaz, et al., 2005), which contradicts Laaksonen et al. (2008), who argued that relationships characterised by high interdependence are exposed to opportunistic behaviour of actors, poor coordination and lack of reliability.

### **5.5.2. Commitment in partnerships**

Another element of relationship strength is commitment, which has been defined as an "enduring desire to maintain valued relationships" (Moorman, et al., 1992, p.316). As stated in the literature review, the nature of commitment is long-term, and thus commitment is present only in close relationships. The findings of this research state that in relationships perceived by both parties as partnerships, the actors are indeed committed to the long-term maintenance therein. The parties express their commitment through long-term agreements and

mutual investments. Thus, these findings are consistent with current literature describing the nature of partnerships (Morgan and Hunt, 1994; Graham, et al., 1994).

While the literature provided mixed evidence on whether commitment in partnerships is of a calculative or affective nature (Gundlach et al., 1995; Geyskens, et al., 1996), on the basis of the data obtained from the case study, it can be concluded that both types of commitment exist in direct and indirect partnerships. As argued above, relationships between shipping lines and terminals are interdependent. Moreover, in partnerships interdependence is even higher, for the supplier due to the high cargo volumes brought by partners, and for the shipping lines due to the considerable switching costs in case of a change in terminal. Therefore, in line with Geyskens et al. (1996), it can be said that potential termination of partnerships would go against the self-interests of both parties, and, moreover, would be rather costly. At the same time, parties in partnerships were found to believe in a match in their goals and values. These beliefs make them put extra efforts (e.g. joint projects, sharing of sensitive information, financial investments) into their relationships, which corresponds to affective commitment, as defined by (Kumar et al., 1995a, 1995b). Indirect partnerships can be argued to operate mainly on the basis of affective commitment. Although both parties would bear some costs in the case of a partnership breach, these can be argued to be lower compared to the switching costs arising in case of shipping-line–terminal partnership breach. Indirect partnerships are built mostly due to parties' beliefs in the benefits of collaboration, rather than due to necessity.

Finally, in this research affective commitment has been found to be stronger on the customers' side than the supplier's side. Some customers expressed feelings of loyalty,

friendship and an overall pleasant experience from working with the same supplier closely and for a long time. However, respondents from CTX were much less emotional about their partnerships. One could argue that this finding might be considered rather uncertain since it could be linked with the specificities of respondents. However, since multiple respondents were interviewed in CTX, and none of them believed in loyalty or friendship with customers, it seems that customers in CTX's partnerships had more affective commitment to CTX than the other way around. This can be explained by the fact that it was mainly CTX that was found to create a positive experience for customers through superior service, customised solutions and extra attention paid to customers' problems and requests.

### **5.5.3. Trust in partnerships**

Trust has been found to be one of the key attributes of partnerships (Mohr and Spekman, 1994; Tuten and Urban, 2001; Lemke et al., 2003) and one of the key variables which allows for discrimination between different relationship types (Rinehart et al., 2004; Lain and Liang, 2005). Previous research tends to classify relationships as governed either by contracts, or informal arrangements resulting from negotiations (Fontenot and Wilson, 1997; Buvik and Reve, 2002; Rinehart et al., 2004). Contracts tend to be associated with arms-length relationships based on unbalanced dependence, while informal ties are associated with closer relationship types (Rinehart et al., 2004). Indeed, Buvik and Reve (2002) argue that if a seller possesses more power over a buyer, it will pursue contractual relationships. Otherwise, the seller will try to create more informal ties with the buyer (Anderson and Narus, 1990). It thus seems that, in the literature, contacts and informal ties are seen as alternative types of

governance, and alternative bases for trust in relationships. In a study by Rinehart et al. (2004), partnerships were associated with relationship-governed structures where trust is based on the history of relationships and informal ties, rather than contractual arrangements. This study, however, points towards a combination of formal and informal arrangements in partnerships, and thus to multiple bases for trust.

In the case of direct partnerships, contracts are negotiated and the cargo volume and tariffs are fixed as a result of negotiations for a particular time period. However, contrary to the argument of Buvik and Reve (2002), the presence of a contract in this case is not determined by the supplier's dominance, since, as argued in the previous section, dependencies are quite balanced in partnerships; rather, the contracts are determined by the nature of the shipping industry, since contracts lie at the heart of any shipping-line-terminal dealing. Contracts have were to be treated by both CTX and its customers as a "point of departure" in their partnerships, and trust in the fulfilment of the other parties' promises was argued by respondents to be fundamental to partnerships' existence. Moreover, since contracts in partnerships are signed for over three years, in contrast to prospective ones, where contracts are signed for one year, the presence of such a long-term contract *symbolises* trust, rather than indicates an absence of it. Indeed, direct and indirect customer companies explained their long-term agreements with CTX with reference to their trust in the superiority and high reliability of CTX's service.

At the same time, partnerships in this research do not always follow contracts and include a lot of verbal agreements which can extend or contradict the regulations of a contract. Moreover, indirect partnerships exist purely on the basis of informal arrangements, fixed

through verbal agreements, since there is no direct business between end users and the terminal. Indirect prospective partnerships operate on the same basis, with the difference lying in the scope and number of agreements, which is smaller. This, therefore, extends the statement of Rinehart et al. (2004), but goes in line with the conclusion of Lain and Liang (2005) that trust “reduces the need to specify and monitor all possible contingencies through formal contract mechanisms” (p.115), and represents one of the key distinctive attributes of partnerships. The closer the relationships are, the less need there is to specify everything, as the parties are confident that, in case of unexpected occurrences, their partners will not behave opportunistically. Using the trust typology developed by Sako (1992), it can be concluded that direct partnerships are characterised by the presence of mutual contractual trust and buyers’ trust in the supplier’s competence, while indirect partnerships do not include the former. However, the most important type of trust in partnerships is “trust in an open commitment” (Sako, 1992, p.38). This is the trust that the partner will not behave opportunistically in the areas not covered by the contract. Based on this “goodwill” trust (Sako, 1992), the contracts are renegotiated when they do not have to be, the terminal delivers services without getting paid under the economic crisis situation, and the end users invest in joint projects without having any guarantees of getting their investments back if the project does not work.

The three types of trust in partnerships have been found to be supported and complemented by interpersonal trust between managers developed through personal interactions and experiences. This final aspect of relationship strength is addressed below.



#### 5.5.4. Personal relationships

A number of authors have emphasised the presence of personal relationships in buyer-seller exchanges. Researchers like Laing and Lian (2005) and Lemke et al. (2003) mostly link personal relationships with personal trust developed through interactions between organisational members. However, scholars conducting research in the Chinese context (Wong and Chan, 1999; Chen et al., 2011) often argue that personal relationships or *guanxi* have a more complex structure and greater effect on business dealings in this setting than in Western contexts (Wang et al., 2005). In contrast to this opinion, there is also a point of view that the role of *guanxi* in buyer-seller relationships in China is declining (Chen et al., 2011). While not pretending to resolve this academic dispute, this research provided some relevant evidence in relation to it.

On the one hand, some of CTX's managers argued that the meaning of *guanxi* is rather exaggerated and misinterpreted in Western business practices, since it is built on stereotypes and is mainly associated with bribing, corruption and favouritism. Respondents expressing this point of view argued that although China-based, CTX is an international company which follows regular business practices and selects its partners on the basis of commercial interests rather than *guanxi*. Such an opinion can be linked with the ideas of Wong and Chan (1999), who argued that *guanxi* has been used in China in the absence of a formal regulation system, and that as China is developing, the role of the negative part of *guanxi* (Wong and Chan, 1999) in business dealings is declining. Indeed, no partnership discussed in this research has been found to be developed by CTX on the basis of *ganging* – an element of *guanxi* related to emotional attachment rather than commercial benefit (Wang, 2007). Similarly, customers' engagement in partnerships was found to be driven by goals such as cost reduction, service

differentiation and obtaining reliable service, rather than by any affection-related motive. Such evidence points towards the conclusion that Chinese companies operating on the international scale and engaging in partnerships with international companies are guided by commercial benefits.

Similarly, at the level of partnership functioning, CTX was found to allocate its scarce resources to those partners who bring the most volume and invest more in relationships with CTX than others. The most profound example recalled by many CTX respondents was creation of preferential conditions for SLM – the largest shipping line in the world and the top partner of CTX. At the same time, despite good personal relationships between CTX's and SLK's CEOs, CTX could not provide SLK with financial help when this was needed, since it had to follow the regulations of its parent company. Thus, CTX was found to allocate its resources largely on the basis of customers' contributions to its business, rather than *ganging*.

However, on the other hand, several CTX managers highlighted the importance of the aspect of *guanxi* related to personal trust, arguing that it acts as a “lubricant” in partnerships. Similarly, CTX partners confirmed that personal trust helps in their interactions with CTX. Personal trust as an outcome of personal relationships has been emphasised in both China-related research in relationships and Western research in buyer-seller partnerships. In contrast to associations of *guanxi* with bribery and corruption, personal trust or *xinyong* refers to the positive aspects of *guanxi* (Lee et al., 2001), which is argued by Yen et al. (2011) to facilitate business transactions. Lemke et al. (2003) empirically revealed that the presence of personal relationships is a key feature within partnerships in car manufacturing industry, while Laing and Lian (2005) reached a similar conclusion in the context of medical services. Current

research confirms the importance of personal relationships and personal trust in partnerships in the shipping industry.

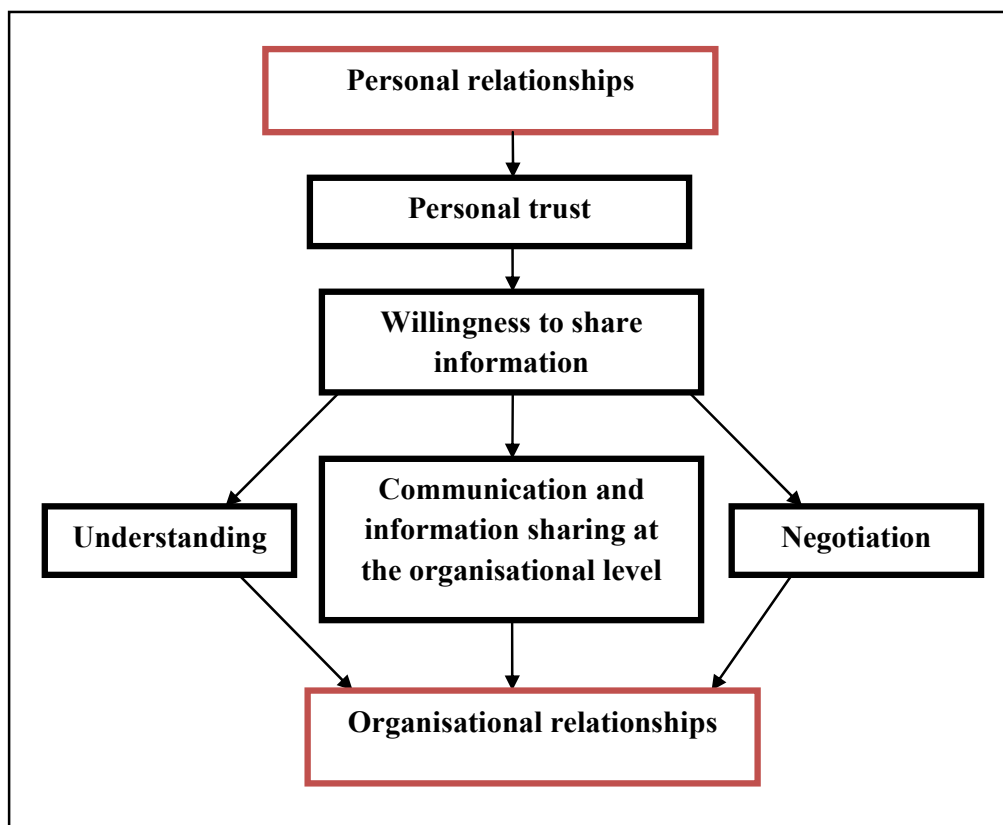
In this research, partnerships follow what Vargo and Lusch (2004a) call service-dominant logic: while in prospective partnerships customers see themselves as recipients of CTX's service, in partnerships both CTX and its partners see their services as interdependent, and treat each other as "co-workers" and "co-developers" of a joint service for the final user. As a result, in order to achieve better service outcomes, actors in partnerships feel the need for frequent communication, information exchange and co-involvement in projects, which can be facilitated through the development of *multilevel* personal relationships or *guanxi*. Development of personal relationships, and thus personal trust within different levels of the organisations' managements, was argued by respondents to facilitate the flow of necessary information, and at the same time to protect companies in case of the departure of a contact person from one of the companies.

Through personal relationships, members of organisations develop trust which helps them to share information, negotiate contracts and improve understanding of each other's organisations. As argued by a number of respondents, the extent to which a representative of one organisation trusts the other is *symbolic* of the degree of trust existing between organisations. This supports the argument of Lian and Laing (2007, p.710) that:

"The development of organizational relationships is frequently perceived to be anchored in the personal relationships that exist between staff in the respective organizations, and in turn such personal relationships are seen to be key influences on the form and nature of the purchasing process".

It can thus be concluded that personal relationships are developed in partnerships in order to facilitate organisational ones; the link between personal and organisational relationships in partnerships can be presented as shown in Figure 5.1.

**Figure 5.1. The link between personal and organisational relationships**



The diagram above presents the ways in which personal relationships were found to contribute to organisational ones in this partnership research. The links between the constructs are presented by arrows. Personal relationships at the top of the diagram are accumulated through the experience of working together. If this experience is satisfactory, it leads to the creation of trust at the personal level. Personal trust makes managers feel confident about

sharing information on a personal level, which in turn aids their organisational relationships through increasing the overall understanding between organisations, assisting in contract negotiations and increasing overall communication.

The last element of *guanxi* argued to be important in Chinese dealings is *renqing*, which involves the exchange of favours and expectation of reciprocity, linked to face-giving activities and demonstration of respect (Wang, 2007). This element was found to be the one that distinguishes CTX's Western and Asian partnerships. No episodes in which a Western organisation requested a personal favour or a demonstration of respect were recalled by the respondents. In contrast to this, Asian companies were said to require personal favours and the presence of top management at meetings as signs of respect. On their side, respondents from these customer companies frequently highlighted that *because* their company is of particular Asian origin (e.g. Japanese in case of SLO) even under difficult times they are not likely to change from CTX, which has been a long-term and devoted partner. At the same time, Asian companies like SLB, SLA and SLO were argued by CTX respondents to have a "long business memory", meaning that CTX assumes its gestures and favours will be returned. Thus, with regards to *renqing* it can be said that it is present in partnerships, but only when both companies within the partnership are Asian.

## **5.6. Conclusion**

The purpose of this section was to locate the findings of this research within the existing literature. Thus, the place of partnerships in relationship typology has been specified, and the

key aspects with regards to partnership initiation and functioning have been addressed. The findings confirmed the growing agreement in academic literature about the trend towards the formation of partnerships in the shipping industry (e.g. Martin and Thomas, 2001), and demonstrated that partnerships represent a very special and rare type of relationship. The next chapter concludes this thesis by highlighting the study's contributions to knowledge and practice, and determining the paths for future research.

## **CHAPTER 6**

### **6. Conclusion**

#### **6.1. Introduction**

This chapter concludes the results of the theoretical and empirical work undertaken during the research, highlighting its contribution to understanding of the nature of buyer-seller partnerships in terms of their initiation and functioning. It equally discusses contributions to methodology and implications for practice. The chapter is concluded by a discussion of the study's limitations and suggestions for further research.

#### **6.2. Contribution to theory**

Academics and practitioners have long demonstrated interest in buyer-seller partnerships. However, while concentrating on partner selection and partnership formation, the research has failed to create a comprehensive and holistic picture of the overall nature of partnerships (e.g. Lemke et al., 2003). By setting the goal of extending the understanding of buyer-seller partnerships in business markets, this research aimed at both knowledge creation and recognition of previous work. In order to overcome the inconsistencies from which previous research suffers, the author identified two main criteria used in the literature to differentiate between partnerships and other relationship types:

- Motives and conditions for engagement in partnerships;
- Attributes of partnerships.

The first criterion has been argued to be related to partnership *initiation*, while the latter reflects the way partnerships *function*. Further on, having noted that the term “attribute” is applied loosely and used to label almost any aspect of partnerships, this research concentrated on two attribute groups which, according to the study of the literature, have the most support among researchers who attempt to differentiate partnerships:

- Behavioural elements, consisting of actions undertaken by actors and beliefs which they express towards each other;
- Key attributes of relationship strength, which are dependence, commitment, trust and personal relationships, where personal relationships are related to the former three items.

Addressing these aspects together with the contextual effects on buyer-seller partnerships, and obtaining an understanding from the dyadic perspective, was proposed as being key, firstly, for acknowledging the complexity and multidimensionality of the phenomenon, and secondly, for building a holistic understanding of it, which was missing in the literature. Consequently, the aspects identified formed the objectives of this research.



### 6.2.1. Partnership initiation

Two objectives of this research were related to partnership initiation (RO1 and RO2 in Table 4.8.). RO1 was “*To identify and compare the motives of buyers and sellers for engaging in direct and indirect partnerships, and the conditions necessary for this*”, while RO2 was “*To investigate the impact of local and international factors in the initiation of buyer–seller partnerships in China*”. The following sections discuss how these objectives have been addressed in this research.

#### 6.2.1.1. Motives

While previous studies have tried to address the motives for engagement in partnerships, investigations of both buyers’ *and* sellers’ motives was argued in Chapter 2 to be scant, with the seller’s motives being addressed to a much lesser extent (Lettice et al., 2010). This study contributed to the knowledge by highlighting the motives of both parties. On the sellers’ side, three key motives for engagement in partnerships with customers have been uncovered: survival on the new market, directed growth and enhancement of supplier’s reputation. While the last motive has been discussed in the partnership literature, the first two have never been outlined clearly. At best, partnerships were argued to be formed with the purpose of enhancing one’s competitive advantage (e.g. Dodgson, 1992), which is a rather general idea applied to relationships types which are not necessarily as close as partnerships (e.g. Campbell, 1997). In contrast to this, directed growth can arguably be pursued only if the customer is close enough to share sensitive information with the supplier, which is, indeed, a rare case. Therefore, the desire for directed growth is a supplier motive that is *specific* for

engagement in *partnerships*. While uncovered in the context of the shipping industry, directed growth might be equally applicable to other business industries where sellers face a situation in which their growth and the development of their facilities are not possible without information on customer requirements.

Five motives were found for buyers' engagement in partnerships: cost-saving, dedicated service, service differentiation, the need for a "local agent" on the new market, and pursuit of mutual goals. The key conclusion with regards to cost saving is that it is not a partnership-specific motive, as was argued by Makukha and Gray (2004). If a buyer engages in a relationship *solely* in order to save on costs, this relationship is not likely to develop into a partnership, since no investment will be undertaken by the customer. This also counters the finding of Martin and Thomas (2001) that the development of closer relationships between terminals and shipping lines is guided by transactional benefits, rather than the idea of long-term collaboration. Although Martin and Thomas (2001) rightly noted that alliance formations empower shipping lines, the CTX case demonstrates that terminals can also undertake activities to increase their power over shipping lines (e.g. end-user partnerships), thus equalising the positions. Therefore, partnerships between the two parties are not motivated purely by the transactional benefits that a shipping line can get from a terminal, but are also influenced by the ideas of service differentiation and the achievement of mutual goals. While not explicitly highlighted in the partnership literature, the presence of multiple motives is consistent with the argument of Izquierdo and Cillan (2004) that "the decision to initiate a relationship with another organisation is commonly based on multiple contingencies" (p.977). Therefore, it can be concluded that for a partnership to develop buyers should have a number of reasons for pursuing such a close relationship.

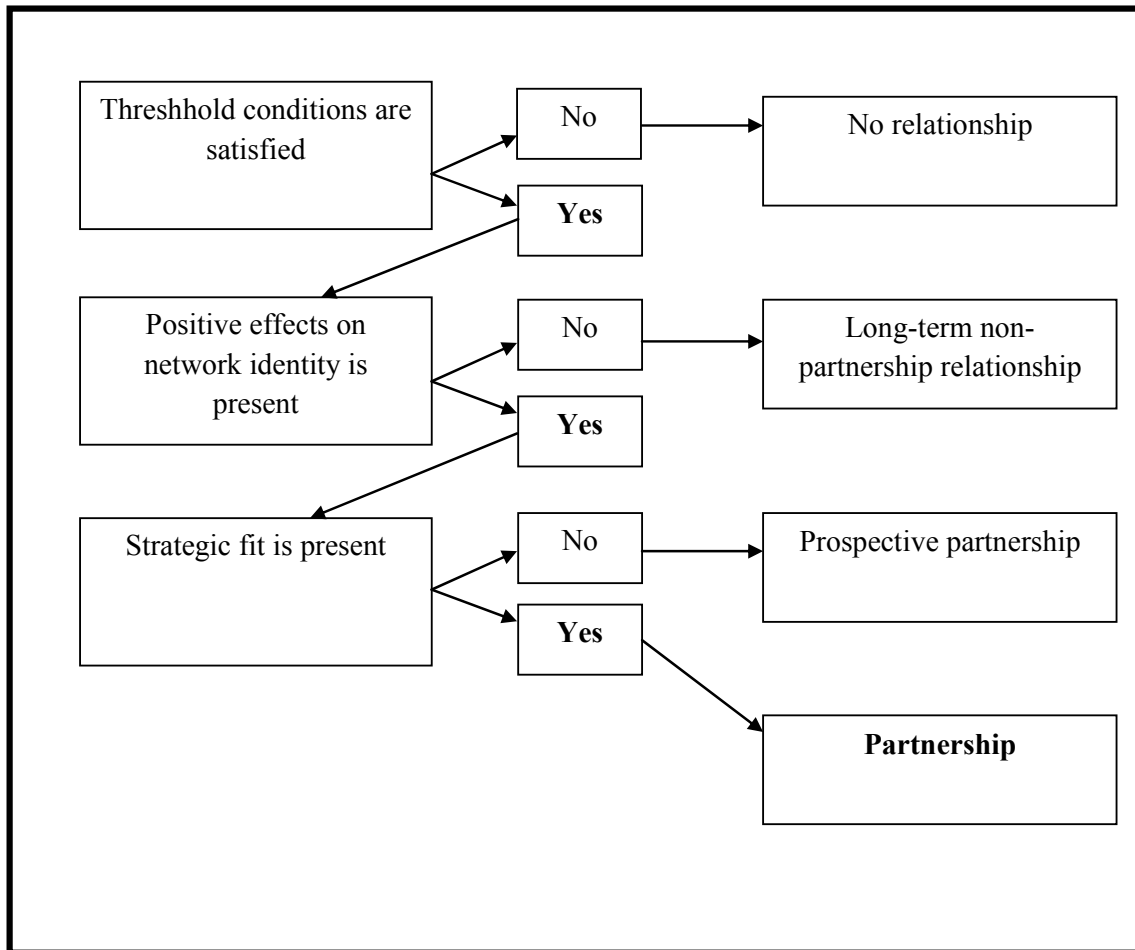
The need for a “local agent” is certainly a context-specific motive, stemming from the specificities of the Chinese shipping industry – namely the complexity and inefficiency of government agencies. However, this motive points towards the fact that buyers in other industries might equally seek partnerships with local suppliers when they are new in the market or the market is unusual for them. This is especially applicable in the case of sellers that are “tied” to the region of their operations, like terminals or airports. Unlike smaller business service companies, they cannot move and, therefore, are bound to integrate themselves within their context, developing sets of relationships within the network, which customers might see as useful.

An important contribution of this research to existing knowledge on partnerships is that it has identified the existence of indirect partnerships – i.e. partnerships between a seller and a customer of a customer. Although briefly mentioned by Ganesan (1994) as a way to decrease one’s dependence, development of partnerships with end users has been not discussed in partnership literature. This study demonstrated that sellers might be motivated to develop partnerships with their customers’ customers if they need to handle the pressure of a competitive environment. In this research, following CTX’s start-up and growth it faced increasing competition from other terminals and needed to find a tool to keep its direct customers. Therefore, it approached leaders within the manufacturing and freight-forwarding industries and offered them discounts and special solutions in exchange for their influence on shipping lines to use the terminal. On their side, indirect customers were found to be guided by a combination of the same motives as those influencing direct customers: cost saving, “local agent” on the market, and the pursuit of mutual goals.

#### 6.2.1.2. Conditions

Even though buyers and sellers can have strong motives to engage in partnerships, not every company can be considered as a potential partner. According to the research findings, the satisfaction of threshold conditions, such as convenient location and reliable service, does not automatically lead to a partnership. These conditions have been classified as necessary but not sufficient for partnerships to exist. On top of threshold conditions, positive effects on one's network identity (reputation, links with other members of the network) and strategic fit need to be present for partnership development. The importance of the three groups of conditions for partnership development in the investigated industry can be presented as suggested in Figure 6.1.

**Figure 6.1. Conditions for partnership development in the shipping industry**



The absence of threshold conditions implies that the basic requirements for conducting business are not satisfied by one or both of the counterparties, and thus that no relationship will take place, provided that, like in the case described, there are other alternatives for both buyers and sellers. If threshold conditions are satisfied, but there is no positive effect on the companies' network identities, they might engage in long-term relationships which are built around the core service and do not include any extra activities and efforts. If there are positive effects on the companies' network identities, for instance from reputation, companies can consider each other as prospective partners (e.g. CTX-SLV; CTX-SLP). On the top of this, if

both companies match in their strategies and have similar visions for their future developments, then they will have enough stimuli to pursue joint plans, and can become partners.

#### 6.2.1.3. Contextual specificities

The engagement of both parties in partnerships was found to be, to a high extent, stimulated by the threats of the external environment. This case study revealed particular contextual effects that are typical for Chinese business in general and the shipping industry in particular. The Chinese shipping industry has been found to be extremely dynamic in terms of growth, and thus highly competitive with regards to terminals. This means that competing on the basis of the core business of loading and unloading cargo is barely an option for terminals since it provides little service differentiation. Thus, partnership development with both direct and indirect customers through offering them special cargo consolidation solutions and obtaining their support and information in return was found to be one of the strategies for a terminal to maintain its competitive position in the turbulent environment. For customers, the key contextual “push” was, as has been already mentioned, the reluctance of cargo clearance agencies established prior to Chinese economic reforms to adjust to the new, more efficient methods of operation. Since CTX, being local company, could develop *guanxi* with the government, thereby obtaining some influence over its decisions, partnering with CTX became a sort of second-best alternative for customers who could not control the unknown environment. However, in addition to the specificities of the Chinese context, international factors also contributed to partnership development in the shipping industry, which is

consistent with the findings of Loo and Hook (2002). In particular, it was revealed that the mega-vessel trend makes shipping lines look for terminals with suitable handling facilities, while the formation of shipping alliances, and thus increased cargo concentration, pushes terminals to seek partnerships with the strongest members of these alliances to ensure cargo throughput. Finally, partnerships between the seller and its customers have been found to be heavily dependent on other members of the shipping network, which could either stimulate partnership development (e.g. SLA's and CTX's parent companies' equity exchange) or prevent them from forming or continuing (e.g. SLP's end-user attachment to CTV). Overall, as argued in Chapter 2, partnerships are rarely studied in non-Western contexts. Therefore, identification of the drivers of partnership development that are specific to the Chinese context provides an important contribution to the current body of partnership literature.

On a general note, this study has identified several motives that are specific to each actor, proposed sets of conditions which need to be satisfied for parties to engage in partnerships, and identified contextual factors which are specific for partnership development in the Chinese shipping industry. Thus, these results can be argued to extend existing knowledge and assist with the understanding and systematisation of the subject.

### **6.2.2. Partnership functioning**

Three objectives of this research were concerned with partnership functioning (RO3-RO5 in Table 4.8.). RO3 was *“To analyse and compare the actions and beliefs of buyers and sellers in partnerships”*. RO4 was *“To analyse the structure and specificities of dependence,*

*commitment and trust in partnerships*". Finally, RO5 was concerned with personal relationships in partnerships and aimed "*To investigate the role of personal relationships in partnerships and to verify whether personal relationships are more important in partnerships with Asian than with Western customers*". The following sections discuss how these objectives have been addressed.

#### 6.2.2.1. Actions and beliefs

In terms of behavioural elements, both actions and beliefs were found to determine the way in which partnerships function, which confirms the credibility of the action-belief approach towards studying partnerships and other relationship types, as suggested by Donaldson and O'Toole (2000). Moreover, for the first time, an account of actions and beliefs in both indirect and direct partnerships, and a comparison of these, has been made. It was revealed that the actions undertaken in direct and indirect partnerships are similar, as both are oriented towards service provision, activity coordination and further relationship development. Buyers in prospective partnerships were found to be followers, leaving the leading role to the supplier and reciprocating the supplier's efforts only to a limited extent, while partnerships are based on reciprocity and both buyers and sellers undertake the initiative. Activities in prospective partnerships are coordinated through cooperation, which includes communication on a formal level, short-term joint projects and exchange of non-sensitive information. In partnerships, coordination is of a collaborative nature, which includes exchange of sensitive information, longer-term joint projects and more informal communication. These findings not only support the argument of Zacharia et al. (2009) about the difference between cooperation and



collaboration, but also suggest the particular types of relationships coordinated by both means. Beliefs, like actions, were found to affect partnership functioning. For instance, companies for which an “ideal” partnership is based on organisational ties tend to put greater emphasis on these ties than on personal relationships. The beliefs of buyers and sellers were classified into fundamental and higher-level. Actors in prospective partnerships expressed more of the former type of beliefs, while actors in partnerships expressed both types of beliefs. On a general note, in contrast to earlier research in which, under the term “partnership”, relationships based on buyers as service recipients and sellers as the party bound to unilateral investments in relationships were described, this research suggests that only mutual relationships are real partnerships, and must be seen as such by both parties.

#### 6.2.2.2. Dependence, commitment and trust in partnerships

An important contribution has been made with regards to the attributes of relationship strength in partnerships. This research suggests that in partnerships actors’ dependencies are balanced and the overall interdependency is high, which is perceived by them as a positive factor and is further supported through continuous collaboration. In direct partnerships, interdependence is based on the nature of the service and partnership-specific projects and investments, while in indirect ones it is based on partnership-specific projects and investments and the ability of indirect customers to influence their direct supplier. No evidence of partnerships under unbalanced situations, as described by Hingley (2005), was found in this research. However, as the structure of dependence in relationships is partially determined by

the nature of the industry, it is not impossible that dependence in partnerships in industries other than shipping might be of a different structure.

With regards to commitment, it was found that although both types of commitment are present in partnerships, sellers generally express more of a calculative commitment while buyers express more of an affective commitment. It was discovered that trust in partnerships has a complex structure and is comprised of several trust types. Contractual trust, which is often disregarded when partnerships are discussed, has been found to be an important starting point from which other trust types develop. This, however, does not hold for indirect partnerships, due to the absence of a direct organisational link. The most important types of trust for suppliers in partnerships are goodwill and multilevel interpersonal trust, while buyers' trust is also based upon the supplier's competence.

While previous research recognised the importance of dependence, commitment and trust in partnerships (Laing and Lian, 2005; Rinehart et al., 2004; Mohr and Spekman, 1994), no research has ever specified the actual structure of each of these attributes for buyers and sellers in partnerships. Therefore, this research extends partnership understanding in this respect.

#### 6.2.2.3. The role of personal relationships in partnerships

The exploration of the role and importance of personal relationships has provided a lot of valuable results. First of all, the importance of personal relationships for both buyers and

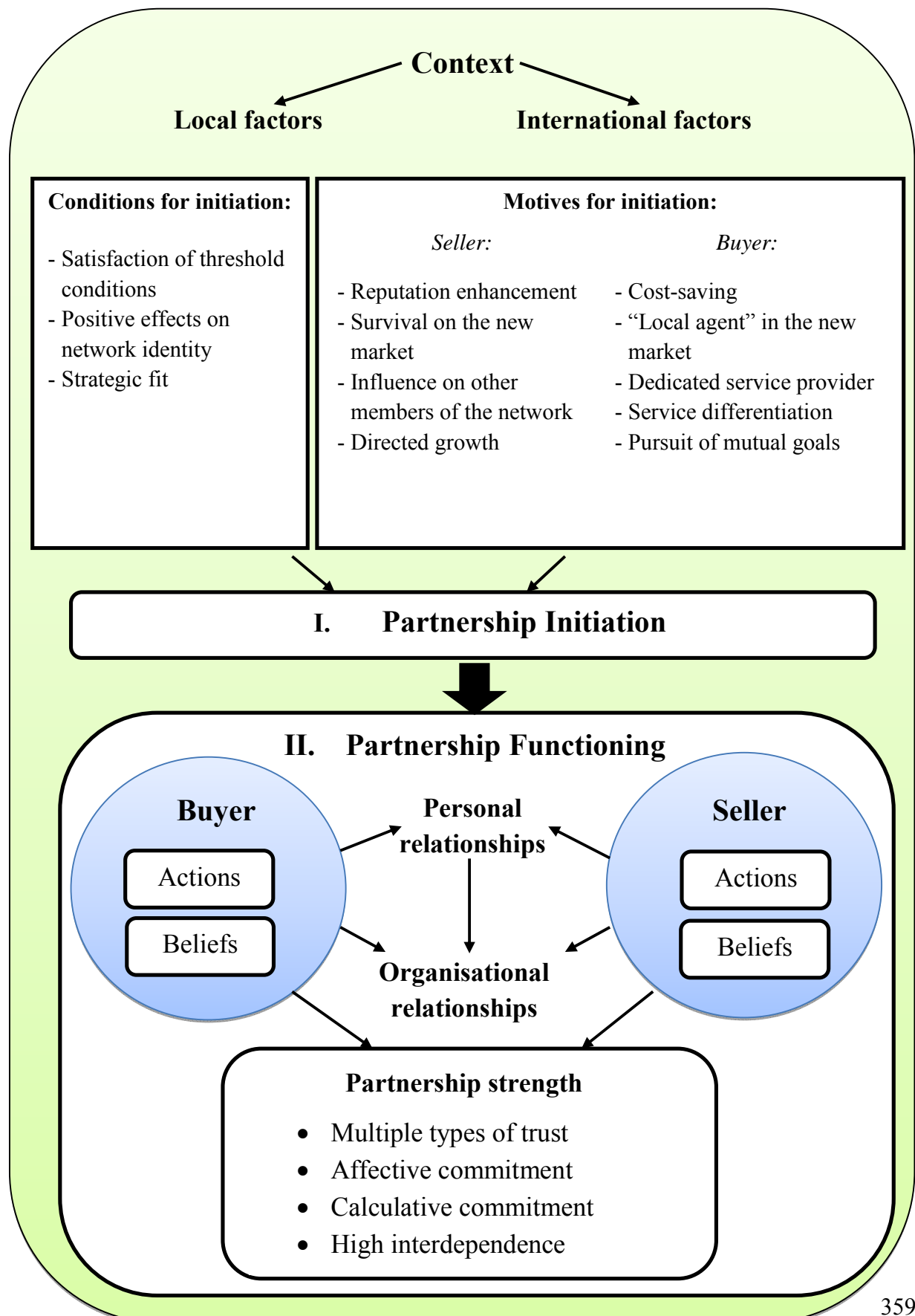
sellers was revealed, which confirmed that the results of previous studies hold in the shipping industry. Secondly, the connection between personal and organisational relationships in partnerships was suggested. The main finding here is that in contrast to an opinion that, where China is concerned, it is mainly personal relationships that drive business (Buttery and Leung, 1996), the current study points to their complementary – rather than leading – role in partnerships. This finding suggests that the Chinese market is affected by international standards and tends to express more international features when business goes beyond national boundaries. In response to the debate on whether the role of *guanxi* is declining or increasing, it can be said that, where international companies are concerned, *xinyong* (as an element of *guanxi*) is the most important, while *ganging* is barely present and *renqing* is important only in Asian-to-Asian companies' dealings. These findings, in fact, break the stereotype of Chinese organisations which can be found in previous studies (e.g. Buttery and Leung, 1996), and takes a first step towards understanding that the way business is done in modern Chinese companies is now changing.

### **6.2.3. Integrative diagram of partnership nature**

As a result of the adoption of a multidimensional approach to partnership research and studying partnerships from various perspectives, a step towards improving the understanding of buyer-seller partnerships has been made. Based on the multiple contributions discussed above, which have been developed as a result of providing a link between existing knowledge and the findings of this research, an integrative diagram which can concisely reflect the nature of buyer-seller partnerships in business markets is suggested (see Figure 6.2). The diagram

can serve as a tool for academics and practitioners that allows them to see the key factors (context, motives and conditions) which are responsible for partnership initiation, realise the importance of actions and beliefs aimed at the development of personal and organisational relationships, and consider the structure of the elements of relationship strength in partnerships, as revealed in this research. The researcher, thus, believes that the development of a tool which can assist academics in further research and practitioners in decision making represents a valuable contribution to the existing knowledge on partnerships.

**Figure 6.2. The nature of buyer-seller partnerships in business markets**



#### 6.2.4. Partnership definition

The last objective of this research, RO6, was concerned with the development of an empirical definition of buyer-seller partnerships (see Table 4.8.). On the basis of the findings an extended definition of a buyer-seller partnership which so many researchers have called for (e.g. Lemke et al., 2003; Duffy, 2008), have been proposed as follows:

*A partnership between a buyer and a seller can be defined as an interdependent, collaborative, long-term, forward-looking relationship, developed with selected members of the network, that is recognised as unique and needed by both parties, developed through interorganisational and interpersonal trust on the basis of common interests, with the purpose of the achievement of individual and common goals through mutual involvement in this process.*

While, as argued in the previous chapter, this definition unites several aspects of buyer-seller partnerships studied in this research, one comment is relevant here. This definition has been developed on the basis of the research in a very specific context – the Chinese shipping industry. Arguably, the nature of the shipping industry affects the fact that only long-term and forward-looking relationships are seen as partnerships, while the Chinese environment makes interpersonal trust an important attribute of partnerships. It is possible that research undertaken in another industry might produce a different vision of a partnership, for instance, one which includes limited longevity, as in Rinehart's et al. (2004) research, or one which does not necessitate the presence of interpersonal trust (e.g. Anderson and Narus, 1990). Therefore, this research does not claim to provide a final and unique definition of a

partnership, but simply suggests one that is relevant to the investigated context, for future testing and development.

### **6.3. Contribution to methodology**

A contribution has also been made to methodology. First of all, the study is dyadic, which is rare in this kind of research. The conclusions about the nature of partnerships were made based on evidence from matched dyads. This gives more credibility to the findings, as they have been developed as the result of a two-sided perspective. Additionally, some differences were found in the behaviour of buyers and sellers in partnerships (e.g. different motives; higher level of affective commitment on customers' side), which only confirms the need for more dyadic research into partnerships in order to enable better understanding of the phenomenon.

Second, the methodological contribution to the research on partnerships comes from the case study research strategy, which is also adopted relatively rarely in partnership research. A lot of empirical work is built on impersonal methods of research, whereas in-depth case study allowed the researcher not only to obtain “answers” to questions, but to observe the environment and the behaviour of actors in connection to the investigated phenomenon.

#### **6.4. Implications for managers**

Having addressed the contributions to theory and methodology, consideration is now given to the managerial implications of partnerships' initiation and functioning. Special attention is paid to the corresponding specificities of buyers' and sellers' behaviour.

##### **6.4.1. Partnership initiation**

The research findings demonstrated that actors have particular motives for engaging in partnerships. While “reputation enhancement” and “service differentiation” are similar, buyers and sellers also have motives that are specific to their needs. Understanding these motives is important for each side of a potential partnership, as it can allow the parties to understand each other's intentions better, help in formulating their strategies and guide them in their communications. For instance, if a company is new in the market and needs to survive against the entrance competition and establish itself, it is more likely to look for partners with a strong reputation; on the other hand, an established company which needs to have directed growth may be more interested in a partner which is ready to share information, rather than just a market leader.

From the perspective of conditions, it is important that both parties understand that satisfying each other's basic or, as they have been named in this research, threshold conditions will not automatically lead to partnerships. For instance, one of the most important conditions for partnering with a customer in business services, as the research has demonstrated, is not only the provision of a reliable service, but also the match in corporate values and strategies. Some



companies require special arrangements, priority treatment and the latest technological facilities, and are ready to pay for these, while other companies prefer a basic service and are not ready to pay for the technological advancements undertaken by the supplier. Therefore, the managers of service providers should develop an understanding of the market needs of their potential partners and put efforts into initiating partnerships with those customers whose strategic orientation matches that of their own company. Moreover, in the case of planning a partnership with Asian companies, suppliers should be ready to supplement business dealings with personal communication on different organisational levels, and to allocate more than one account manager to oversee their Asian customers. As the case study demonstrated, it is often an account manager and a senior manager, and sometimes several senior managers and a CEO, who work on partnership development with Asian companies.

Companies operating in the shipping industry must be aware of the complex scope of factors which affect one's decision to engage – or not – in a partnership. These are multiple international and local factors and the influence of other members of the shipping network which, apart from companies' strategies, affect partnership formation. In particular, companies doing business in China should be aware of the high level of influence of the Chinese government on business relationships, and at the same time of the remaining bureaucracy and complexity of administrative procedures which are obligatory for foreign companies. While developing relationships or *guanxi* with the Chinese government might be difficult for a foreign company, developing partnerships with local companies that are supported by it can be a way to improve a company's network position and facilitate complex administrative processes for it. There are also numerous relationships which need to be managed in order to keep a focal partnership healthy. The example of the CTX–SLK

dissolution clearly showed that neither company was free in its decision, which was affected by the parent companies and other alliance members. Understanding that other members of a network affect partnership development is useful for managers, as they can adjust their relationship-building strategies accordingly. Finally, this case study showed that shipping lines are often affected by powerful end users in their choice of terminals. Thus, CTX has been found to engage in end-user partnerships to maintain their competitiveness. This approach is, however, CTX's innovation and has not been described as common in the relevant literature. Thus, terminals can learn from CTX, while shipping lines might be aware of the new trend, which can potentially decrease their power against terminals, and consider their potential response to such actions. For instance, shipping lines which are not perceived as partners by the end users might consider how they can develop closer relationships with them, to avoid the terminals' influence.

The final conclusion about partnership initiation is that the supplier should be prepared to put in more effort than the customer. Even though customers in partnerships reciprocate the supplier's investments, the latter will bear a greater part of these. Customers, according to this research, are rarely proactive and the highest demonstration of partnership intention on their side is sharing information and supporting the supplier's efforts in terms of service improvements.

## **6.4.2. Partnership functioning**

### 6.4.2.1. Actions and beliefs

While a number of actions and beliefs specific for partnerships were identified, what is important for managers is to understand the links between the two and to be able to interpret them. For example, the beliefs related to an “ideal” partnership affect the way a company then acts in a real partnership. Companies that believe that a partnership is a relationship based on commercial principles, for instance, keep personal communication to a minimum, while companies that see a partnership as functioning on a personal, as well as an organisational level put additional effort into the development of personal relationships. Understanding a partner’s “ideal” image of a partnership might help companies to interpret the partner’s actions and provide a simple explanation of the reasons for these actions. Therefore, managers should make an effort to find out what their partners see as a partnership, how they view their role, and whether the two companies can find a common ground based on both “ideal” partnership images.

An important belief of both buyers and sellers is that partnerships are long-term relationships. However, according to this research, the long-term nature is necessary but not sufficient for a partnership to function. In addition, partnerships should be forward-looking, which means that partners should have a plan of further development and collaboration. Not all companies understand this. Indeed, customers in prospective partnerships tend to develop more beliefs related to the current, rather than future state of the world, which might be one of the reasons for their slow development. Thus, if companies want to save time on communicating their needs to each other and making sure that understanding is reached, managers should adopt a

forward-looking approach to partnerships. In this manner, both companies will view the horizons of a partnership similarly, and be more prepared for temporary difficulties as well.

The most important action in partnerships is information exchange between partners. In business markets where a supplier and a buyer are often serving an end user, information exchanged in a timely manner between them allows them to provide a better service “package”. This is obviously beneficial for both. Additionally, in the absence of financial flow (e.g. in indirect partnerships), or during hard times (e.g. the recent financial crisis), information shared by the customer is interpreted by the supplier as a strong sign of collaboration. Therefore, managers involved in partnership operation should make regular information-sharing their primary activity if they want the partnership to function smoothly.

Certainly, activities like share exchange, providing each other with places on the board of directors, or responding to personal favours, are also seen by both suppliers and customers as demonstrations of partnership behaviour. Additionally, it is important for buyers to understand that suppliers are well aware of business realities and do not expect a partner to ignore significantly cheaper offers. Checking for better opportunities is a *part of business*, which suppliers understand. However, a partner, from the perspective of the supplier, is someone who does not switch to another supplier without prior communication and provision of the first right of refusal. In case the supplier cannot meet the requirements and the customer leaves, the supplier does not see this as a “betrayal” or the end of the partnership. Instead, this gives the supplier a push to catch up and to review its strategies and get the customer back. However, if a customer, who has been a partner, switches suppliers without provision of the first right of refusal and without adequate communication, managers in the supplier’s

company can react very negatively and be reluctant to interact with this customer in the future.

#### 6.4.2.2. Personal relationships: breaking the stereotype

Doing business in China has long been associated with the skill of obtaining the right *guanxi*. This research confirmed the importance of knowing the Chinese environment and its specifics. Foreign managers doing business in China should generally be aware that building personal relationships is part of the Chinese mentality of doing business. However, two issues need to be reconsidered:

- The degree of managerial reliance on stereotypes about *guanxi*;
- The real meaning of *guanxi*.

Indeed, foreign managers often truly believe that companies in China operate without any contracts and reach agreements through personal favours and bribery. While, as in any country, this might be true in some cases, this research has shown that Chinese managers working in business markets always sign a contract and put commercial principles above personal attitudes. It is still important to have *guanxi* with other companies, as well as with the government, when doing business in China, however *guanxi* acts as a means of support to organisational relationships, and complements – rather than substitutes – it. The meaning of *guanxi* to Chinese managers, according to this research, is not very different from the concept of personal relationships in the Western context. *Guanxi* is built to develop a better understanding and to contribute to the smooth running of a business. At the same time,

building *guanxi* in China is also related to demonstrating respect towards a partner, as managers take time and put effort into getting to know each other and, through this, each other's companies.

Therefore, it is important for managers planning to do or doing business in China to eliminate the stereotypes about the "Chinese way" or a "purely *guanxi*-based" environment. As the research revealed, a modern company like CTX, while retaining the elements of national culture, is strongly guided by international standards of management.

#### 6.4.2.3. Relationship strength in partnerships

It has been no secret to practitioners that in partnerships the trust level between partners is usually high, commitment is strong and dependence is mutual. This research, however, advanced this knowledge by specifying the types of trust and commitment typical for buyers and sellers in partnerships in business markets, and their perception of dependence. As argued above, it was found that trust between companies starts with the contract. However, partnerships do not follow contracts all the time due to the presence of contingencies which cannot be foreseen. Thus, much more important for customers is trust in the supplier's competence and ability to act efficiently under these unforeseen circumstances, while for the supplier the most important aspect is the customer's integrity and open communication of its problems. Understanding these aspects can assist suppliers and customers, considering formation of partnerships, in their trust-creating actions. It was also found that in developing trust it is of crucial importance to do this at different managerial levels. Both buyers and

sellers mentioned multilevel communication, and thus multilevel trust, as something they aim for, for two main reasons:

1. Multilevel trust allows understanding to be developed at different levels, thus improving overall understanding between the companies.
2. By developing multilevel trust, managers in partnerships have several sets of interpersonal ties, which means that in the case of someone leaving the partner company, the partnership will not be significantly damaged.

Therefore, managers can learn from the CTX case study and work on multilevel trust development if they want to build partnerships.

Interesting implications can be drawn from the findings on interdependence in partnerships. Partnerships were found to be developed where the dependencies of actors on each other are perceived as balanced and the mutual dependence is perceived as being high. It can be argued that it is because of these perceptions that actors see each other as equals, who mutually need each other for the achievement of their goals, and thus undertake actions to strengthen their relationships. On the contrary, in prospective partnerships actors do not see each other as crucial to the achievement of individual goals and see themselves as dependent only due to the nature of the industry. They also do not see their dependencies as balanced, since each party perceives the other as more dependent. Arguably, as a result both sides push more of their self-interests rather than common ones, which prevent them from progressing in partnership development. This implies that actors are more likely to develop partnerships under conditions of high and balanced mutual dependence. Realising this might allow

managers to better understand the direction of their efforts and guide them in the choice of partners.

Based on the discussion in the sections above, a series of guidelines for managers can be developed (see Table 6.1)

**Table 6.1. Guidelines for initiating and managing partnerships**

**Partnership Initiation**

- Suppliers working in business services should be aware that partnerships can be initiated between suppliers and both direct and indirect customers, with the latter being useful for managing dependence on the former.
- Direct customers should be aware of the possibility of such a strategy and consider the ways to respond to it, possibly through enhancing relationships with their customers.

**Motives and conditions**

- A company should analyse the possible motives of the counterparty for initiating the partnership and, thus, evaluate the potential patterns of both the partner's behaviour and their own.
- Before initiating a partnership, a company should consider the possible requirements that its target company might have for a potential partner, and evaluate their own suitability.
- The company initiating a partnership needs to evaluate the "strategic match" between it and the other party.
- When dealing with Asian companies, managers should pay attention to personal relationships.

**Context**

- Managers need to develop an understanding of the contextual factors which could affect the general suitability of their industry for partnership development.
- Managers need to scan the network, identify the key influencers and make sure these are considered when partnerships are developed.
- Companies doing business in China should be aware of the high levels of influence of the Chinese government on business relationships, and of the remaining complexity of administrative procedures, and thus consider partnerships with local firms which could assist them in understanding the requirements of the environment.



### **Partnership functioning**

#### **Beliefs**

- Managers should try to identify the position of their partners with regards to their “ideal” partnership, as this will give them explanations for the partner’s actions.
- In partnerships, companies should demonstrate not only long-term but also forward-looking intentions to collaborate.

#### **Actions**

- Managers involved in partnership operation should make regular information-sharing their primary activity if they want the partnership to function smoothly.
- Managers should make sure that the first right of refusal is provided to a partner in the case of changing circumstances.

#### **Personal relationships**

- Foreign managers wishing to develop partnerships in China need to break away from the stereotype of “Chinese business through *guanxi*”, and accept the fact that Chinese companies have greatly changed in the last 20 years.
- Managers should re-evaluate their understanding of the concept of *guanxi* and realise that, with regards to partnerships between international companies, it is mostly linked to personal trust rather than favouritism or non-commercial ways of resource allocation.
- However, managers should also realise that in partnerships between Asian companies personal favours and face-giving, although supplementary to commercial dealings, are still important.

#### **Trust, commitment, interdependence**

- Managers should work on multilevel trust development if they want to ensure smooth partnership functioning.
- In developing trust, a supplier should demonstrate its competence, while a buyer should show its long-term commitment.
- Companies need to be aware that partnerships are more likely to be formed with companies where relationships are characterised by high and balanced mutual dependence.

### **6.5. Limitations of the research**

The adoption of a single case study is often criticised for the resulting lack of ability to generalise the data to the level of theory. Therefore, if this argument is accepted, then the adoption of a single case represents a limitation of the study. However, Mintzberg (1979) argues that researchers should not feel “ashamed” for investigating one case, provided that the investigation serves the purposes of the research. The current research was aimed at shedding more light on a concept which is widely acknowledged as being under-researched – buyer-seller partnerships. Therefore, the key idea was to obtain an initial understanding of the phenomenon by applying a dyadic perspective instead of repeating single-ended studies but with a bigger sample of companies.

The second trade-off has been between multiple and single informants in the dyads investigated. It can be argued that the multiple informant perspective allows for a deeper understanding of each company, and therefore better understanding of the phenomenon investigated. This has been partially taken into account when interviewing the supplier’s company. The rationale behind this was interviewing people who are actively involved in developing and maintaining partnerships with different customers. On the customer side, however, the choice was made to interview the key informant, who is in charge of developing and maintaining partnerships with the supplier. First of all, it was often the case that there was a “main” person in charge of relationships with the supplier; therefore, interviewing more people would not have added anything to the research. Secondly, the constraints of time, financial resources and access made it difficult to adopt a multiple-informant approach.

The sampling procedure was based on the purposeful inclusion of the largest container terminal in the world, and further selection of the partner's organisations based on the judgement of the terminal's management. While this might be a source of bias, as other people in the organisation might have suggested other companies for study, care was taken in the selection of the respondent for the provision of partner companies. The CEO and the heads of the marketing and commercial departments were selected as key informants about the overall structure of customer relationships. While the companies included should ideally have been those regarded as partners by a greater number of managers, this was not possible due to the time constraints of both the managers and the researcher. However, where possible, further interviews with managers involved in the day-to-day running of particular relationships allowed for "double-checking" of the "validity" of the selected partnerships.

Finally, this research has been conducted in a very specific context, and thus the generalisation of results might not be straightforward. As mentioned earlier, the definition and the integrative diagram developed in this research are likely to reflect the specific features of partnerships developed in China, which might vary if the research is conducted in other contexts. However, since the aim of this research was to make a step in partnership understanding, which was argued in the literature to be limited and largely due to the lack of research in non-Western contexts, it can be argued that the results of this study fulfil this aim and also create opportunities for further verification.

## **6.6. Implications for further research**

This research provided a number of contributions to the academic knowledge, and at the same time created a fruitful area for further research. The definition provided as a result of the research into the shipping industry needs to be further tested and possibly extended through research into other industries. The same applies to the model of buyer-seller partnerships, which needs to be applied in further research to check whether the results obtained provide sufficient evidence on the initiation and functioning of buyer-seller partnerships.

The context of the research in this study is new to the research field. Investigations of buyer-seller relationships have been rare, and there has been no significant research on buyer-seller partnerships in the container shipping industry. Following the results of this study, further research could address other sets of terminals and their customers in order to see whether there is a unique pattern or logic in terms of partnership development in this industry.

The research based on “matched” pairs of buyers and one seller was definitely an important extension to the single-ended research. However, it could also be interesting to research partnerships between different buyers and sellers, in addition to partnerships one seller can have with its customers. This could provide additional aspects of buyer-seller partnerships, as those features of the selling organisation which remain constant when one company is analysed would vary if more selling organisations are addressed.

The case study of CTX and its partnerships revealed that indirect partnerships can be established with the “customers of customers”. This is a new type of partnership which has not been discussed in past literature, probably because the existence of these types of

partnerships is rare. However, it would be interesting to approach other organisations which have built partnerships with indirect buyers and suppliers in order to provide more evidence on this type of partnership.

Finally, while the effects of network arose in the research, and the methodology itself connected the pairs of buyers and sellers into triads (where indirect partnerships were discussed) and considered the network context, the network approach was not explicitly chosen for this research. It could, however, be interesting to see whether partnerships are a purely dyadic phenomenon, or if it is possible to establish partnerships in triads with all partners being equally strongly linked, and recognising the presence of a partnership with other members.

Overall, the research on buyer-seller partnerships is developing and there are a lot of areas for further work.

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<sup>36</sup> The title of the article contains the name of the region of the research and therefore is disguised to maintain anonymity.

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## **Appendices**

### **Appendix 1. Study 1**

#### *a. Interviews Study 1*

<b>Department</b>	<b>Position</b>	<b>Abbreviation used</b>
Commercial department	Commercial manager; key account manager 1	CTX_CM_1
Commercial department	Commercial manager; key account manager 2	CTX_CM_2
Commercial department	Commercial manager; key account manager 3	CTX_CM_3
Marketing department	Head of marketing department	CTX_HM
Marketing department	Marketing and solutions manager 1	CTX_MM_1
Marketing department	Marketing and solutions manager 2	CTX_MM_2
Marketing department	Marketing and solutions manager 3	CTX_MM_3
Corporate communications department	Head of corporate communications	CTX_HCC
Operations department	Operations manager	CTX_OM_2
Operations department	Senior operations manager	CTX_OM_1
Port development department	Assistant to CEO, port development manager	CTX_PDM_1
Port development department	Port development manager	CTX_PDM_2
n/a	CEO	CTX_CEO

*b. Discussion guide for Study 1*

**1. Respondent's information**

- Experience in the industry
- Experience in the role
- Responsibilities of the department, responsibilities of respondent

**2. Company background**

- Description of company's activities
- Company's vision and goals

**3. Company's approach to customer relationships**

- Structure of company's relationships with customers; definition of company's customers
- Approach utilised by company to different groups of customers
- Managers' views on key aspects of building relationships with customers
- The importance of particular relationships to the company; reasoning behind this

**4. Managerial perceptions about buyer-seller relationships and partnerships**

- Perception of the nature of the relationships mentioned
- Managerial understanding of the concept of partnership and views on partnerships between buyers and sellers

**5. Key aspects of partnerships**

- Perceptions about the roles of the company and its customers
- Evaluation of the other party's suitability with regards to development of partnership relationships
- Managerial views on the way partnerships with customers function
- The importance of trust in partnerships; managerial perceptions about establishing trust

**6. Significance of personal relationships in buyer-seller relationships and partnerships**

- Importance of personal contacts
- Perception of the concept of *guanxi* in relation to buyer-seller relationships
- Perceived contribution of personal relationships to trust



## **7. Shipping industry specifics**

- Managerial views on shipping industry, evaluation of specific factors which affect buyer-seller interaction

## **8. Chinese business environment**

- Managerial views on Chinese business environment, evaluation of specific factors which affect buyer-seller interaction

*c. Questionnaire Study 1:*

- 1. Please rank the following characteristics of partnerships from most relevant to least relevant.*

A buyer-seller business partnership is:

Purposive  
Owned by parties  
Long term  
Profit sharing  
Mutually beneficial  
Synergy generating  
Trust based  
Reliance based  
Loyalty based  
Commitment based

A buyer-seller partnership is a:

Collaboration  
Participation  
Association  
Commitment  
Cooperation  
Common vision  
Asset  
Marriage  
Complementarity

*d. Academic sources of attributes used in the questionnaire*

<b>Business Partnership is:</b>	<b>Source</b>
Purposive	Mohr and Spekman (1994)
Owned by parties	Ford et al., 2002
Long term	Wong et al. (2010), Laing and Lian (2005), Gentry (1996), Graham et al., (1994), Stuart (1993)
Profit sharing	Lambert et al., (2004), Farrell and Scotchmer (1988)
Mutually beneficial	Fram and Presberg (1993), Johnstone et al., (2009)
Synergy generating	Lambert et al., (2004)
Trust based	Wong et al., (2010), Laing and Lian (2005), Fontenot and Wilson (1997), Wilson and Jantrania (1996), Mohr and Spekman (1994), Anderson and Narus (1990)
Reliance based	Sheth and Parvatiyar (1995)
Loyalty based	Landeros, et al., (1995), Gundlach et al., (1995)
Commitment based	Wong et al., (2010), Fontenot and Wilson (1997), Gentry (1996), Graham et al., (1994), Mohr and Spekman (1994)
Collaboration	Ploetner and Ehret (2006)
Participation	Anderson and Narus (1990)
Association	Farrell and Scotchmer (1988)
Commitment	Wong et al., (2010), Fontenot and Wilson (1997), Gentry (1996), Graham et al., (1994), Mohr and Spekman (1994)
Cooperation	Wong et al., (2010), Laing and Lian (2005), Fontenot and Wilson (1997), Anderson and Narus (1990)
Common vision	Brinkerhoff (2002), Wilson and Jantrania (1996)
Asset	Ford et al., (2002)
Marriage	Burdett and Coles (1999)
Complementarity	Brinkerhoff (2002)

## Appendix 2. Study 2

### *a. Interviews Study 2*

Company	Department	Position	Abbreviation
CTX	Commercial department	Account manager	SLV_KAM
CTX	Commercial department	Senior commercial manager	CTX_SCM_1
CTX	Commercial department	Account manager	SLP_KAM
CTX	Commercial department	Account manager	SLI_KAM
CTX	Commercial department	Account manager	SLO_KAM
CTX	Commercial department	Account manager	SLE_KAM
CTX	Commercial department	Account manager	SLA_KAM
CTX	Commercial department	Account manager	SLM_KAM
CTX	Commercial department	Account manager	SLB_KAM
CTX	Commercial department	Senior commercial manager	CTX_SCM_2
CTX	n/a	CEO	CTX_CEO
CTX	Cargo sourcing department	Head of cargo sourcing department	CTX_HCS
CTX	Marketing	Marketing manager	CTX_MM
CTX	Marketing	Head of marketing department	CTX_HM
CTX	Commercial department	Head of commercial department	CTX_HC
SLV	Operations department	Operations manager	SLV_OM
SLI	n/a	Managing director	SLI_MD
SLP	Operations department	Operations director	SLP_OD
SLK	Operations department	Operations manager	SLK_OM
SLO	Operations department	Operations manager	SLO_OM

SLB	n/a	Branch vice president	SLB_BVP
SLM	Operations department	Operations manager	SLM_OM
SLA	n/a	Division general manager	SLA_DGM
SLE	Operations department	Senior management	SLE_SM
EUU	Business Development	Business development manager	EUU_BDM
EUU	n/a	General manager	EUU_GM
EUH	n/a	President	EUH_President
EUH	n/a	Vice-president	EUH_VPresident
EUD	n/a	General manager	EUD_GM

*b. Parties interviewed for each dyad*

Dyad	Respondents from CTX	Respondents from customer company
CTX-SLM	SLM_KAM, CTX_CEO	SLM_OM
CTX-SLB	SLB_KAM, CTX_SCM_2	SLB_BVP
CTX-SLK	SLK_KAM, CTX_CEO	SLK_OM
CTX-SLO	SLO_KAM	SLO_OM
CTX-SLA	SLA_KAM	SLA_DGM
CTX-SLE	SLE_KAM	SLE_SM
CTX-SLV	SLV_KAM, CTX_SCM_1	SLV_OM
CTX-SLP	SLP_KAM	SLP_OD
CTX-SLI	SLI_KAM	SLI_MD
CTX-EUH	CTX_HCS	EUH_President, EUH_VPresident
CTX-EUD	CTX_MM	EUD_GM
CTX-EUU	CTX_MM	EUU_GM, EUU_BDM

**Case study research: discussion guide used in interviews with shipping lines companies' managers**

**1. Respondent's information: general**

- Experience in the industry
- Experience in the role
- Responsibilities of the department, responsibilities of the respondent

**2. Company information**

- Market/network position
- Corporate culture

**3. Manager's experience of dealing with terminals**

- Relationships with terminal operators
- Relationships with CTX

**4. Experience of working with CTX**

**a. The basis for partnership between the companies**

**b. Partnership initiation**

- The history of the partnership
- Motives for engagement in the partnership
- Factors affecting engagement in partnerships
- Key events in the partnership
- Relative engagement of both parties in the partnership's initiation

**c. Partnership functioning: behaviour in the partnership**

- Actions undertaken in the partnership
- Evaluation of the actions undertaken by partners
- Modes/frequency/content of communication
- Coordination of activities
- Beliefs connected to the nature of the relationships

**d. Partnership functioning: personal relationships between companies' management; the importance and value of personal relationships in relation to the overall relationship**

- Importance of personal relationships in the partnership
- Understanding of the meaning of *guanxi*

**e. Partnership functioning: trust, commitment, dependence in the partnership**

**f. The context of partnership**

- The influence of the network position of the companies on their relationships
- Industry specificities affecting relationships
- Cultural specificities affecting relationships

**Case study research: discussion guide used in interviews with CTX managers**

**1. Respondent's information: general**

- Experience in the industry
- Experience in the role
- Responsibilities of the department, responsibilities of the respondent

**2. Manager's experience of dealing with the partner shipping line company**

- General relationships with shipping line companies
- Partnership with a particular shipping line company

**3. Experience of working with a particular shipping line company**

**a. The basis for the partnership between companies**

**b. Partnership initiation**

- The history of the partnership
- Motives for engagement in the partnership
- Conditions for engagement in partnerships
- Key events in the partnership
- Relative engagement of both parties in the partnership's initiation

**c. Partnership functioning: behaviour in the partnership**

- Actions undertaken in the partnership
- Evaluation of the actions undertaken by partners
- Modes/frequency/content of communication
- Coordination of activities
- Beliefs connected to the nature of the relationship

**d. Partnership functioning: personal relationships between companies' management; the importance and value of personal relationships in relation to the overall relationship**

- Importance of personal relationships in the partnership
- Understanding of the meaning of *guanxi*
- e. **Partnership functioning: relationship strength in the partnership: trust, commitment, dependence**
- f. **The context of the partnership**
  - The influence of the network position of the companies on their relationship
  - Industry specificities affecting relationships
  - Cultural specificities affecting relationships

**Case study research: discussion guide used in interviews with end-user companies' managers**

**1. Respondent's information: general**

- Experience in the industry
- Experience in the role
- Responsibilities of the department, responsibilities of the respondent

**2. Company information**

- Main business of the company
- Market/network position
- Corporate culture

**3. The mode of the company's operation with regards to its product delivery through the supply chain**

- The role of shipping line companies
- The role of terminal operators
- The presence (or non-presence) of intermediaries managing relationships with shipping lines and terminals

**4. Manager's experience of dealing with terminals**

- Relationships with terminal operators
- Partnership with CTX

**5. Experience of working with CTX**

- a. **The basis for partnership between the companies**
- b. **Partnership initiation**



- The history of the partnership
- Motives for engagement in the partnership
- Conditions for engagement in partnerships
- Key events in the partnership
- Relative engagement of both parties in the partnership's initiation

**c. Partnership functioning: behaviour in the partnership**

- Actions undertaken in the partnership
- Evaluation of the actions undertaken by partners
- Modes/frequency/content of communication
- Coordination of activities
- Beliefs connected to the nature of the relationship

**d. Partnership functioning: personal relationships between companies' management; the importance and value of personal relationships in relation to the overall relationship**

- Importance of personal relationships in the partnership
- Understanding of the meaning of *guanxi*

**g. Partnership functioning: trust, commitment, dependence in the partnership**

**e. The context of the partnership**

- The influence of the network position of the companies on their relationship
- Industry specificities affecting relationships
- Cultural specificities affecting relationships

### **Appendix 3. Participation request**

#### *a. An example of the email sent to participants*

Dear Sir/Madam

My name is Ekaterina Chernaya. I am studying for a PhD degree at the University of Birmingham. I conduct research into buyer-seller partnerships in business markets.

The aim of my research and my PhD is to provide an insight into the concept of partnerships between buyers and sellers in the shipping industry. I am writing to you so as to invite you to take part in research I am conducting. I am particularly interested in how partnerships are perceived by the parties involved in them and what is important for the formation and development of buyer-seller partnerships.

I would like to interview you to explore these issues further. The interview would take approximately one hour and would be tape recorded. The results of the research will be used for academic purposes only. Anonymity and confidentiality of information will be guaranteed. Participation in the research is strictly voluntary. Results of the research will be published in academic and practitioner journals.

Your contribution will be highly appreciated and invaluable in expanding the knowledge on buyer-seller partnerships and building up a theory of partnerships.

If you have any enquiries please contact me via email: [katerinachernaya@yahoo.co.uk](mailto:katerinachernaya@yahoo.co.uk)

Yours sincerely,

Ekaterina Chernaya

*b. The consent form*

**Buyer-seller partnerships in Business Markets**

The aim of the research and my PhD is to provide an insight into the concept of partnerships between buyers and sellers. The term is widely used in the literature but it is not explained or defined clearly, and the nature of partnerships is implicitly assumed to be the same.

I want to clarify the meaning of partnerships by asking people who are really involved in the process of building and developing them. As a result of the research I want, firstly, to come up with a scheme or model of partnerships, and secondly, to come up with a typology of partnerships.

This information is being collected as part of a research project concerned with the nature of buyer-seller partnerships in business markets by the Department of Business School in the University of Birmingham. The information which you supply and that which may be collected as part of the research project will be entered into a filing system or database and will only be accessed by authorised personnel involved in the project. The information will be retained by the University of Birmingham and will only be used for the purpose of research and statistical and audit purposes. By supplying this information you are consenting to the University storing your information for the purposes stated above. The information will be processed by the University of Birmingham in accordance with the provisions of the Data Protection Act 1998. No identifiable personal data will be published.

**Please read carefully the statements below and sign the form to confirm your acceptance and understanding.**

- I confirm that I have read and understand the participant information leaflet for this study. I have had the opportunity to ask questions if necessary and have had these answered satisfactorily.
- I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason. If I withdraw, my data will be removed from the study and

will be destroyed.

- I understand that my personal data will be processed for the purposes detailed above, in accordance with the Data Protection Act 1998.
- Based upon the above, I agree to take part in this study.

Name of participant.....Date.....Signature.....

Name of researcher.....Date.....Signature.....

## Appendix 4: Case study partnerships

### Case study partnerships – the companies

<b>Seller</b>	<b>Direct buyers</b>	<b>Indirect buyers</b>	<b>Partnerships investigated:</b>
Focal company	Shipping line companies:	End-user companies:	
CTX	SLI	EUH	CTX-SLI
	SLP	EUU	CTX-SLP
	SLV	EUD	CTX-SLV
	SLA		CTX-SLO
	SLO		CTX-SLA
	SLE		CTX-SLE
	SLB		CTX-SLM
	SLM		CTX-SLB
	SLK		CTX-SLK
			CTX-EUH
			CTX-EUU
			CTX-EUD

## Appendix 5. Secondary data sources

Prior data collection		During and after data collection	
<i>Source</i>	<i>Relevance</i>	<i>Source</i>	<i>Relevance</i>
Shipping industry literature: 1. Market reports: Shipping industry globally, shipping industry in China. 2. United nations reports on trade and development and on port developments globally and in China.	Understanding the context of the shipping industry and its key players.	Internal documents: e.g. customer satisfaction surveys, presentations to clients, CTX's Business Plans (various years)	Contribution to primary data sources.
General information and research into supply chains – membership of CSCMP (Council of Supply Chain Management).	Understanding the trends in the research into supply chains.	CTX's Press releases (different years)	Contribution to interview data; Opportunity to compare CTX's official sources with the statements of the respondents.
Companies' reports, mission statements.	Understanding companies' activities, structures, aspects of corporate culture, structure of management.	Local regional journal on developments in the port industry.	Contribution to primary data sources.
Magazine articles on the role of government in China.	Understanding key forces affecting the context of companies' interaction.	Newspaper articles on port development and the shipping industry.	Keeping updated with the state of the investigated industry.
		China Customs Annual Reports 2007-2008;	Additional sources of information on the role of government in the shipping industry in China
		Port Authority documents	Additional source of information on the structure of competition in the industry

## Appendix 6. Direct observations

### *a. Key observation episodes*

Observation Episode	Participants	Date
Company tour, observation of the CTX train service	The Head of Cargo Sourcing Department, the Assistant to the Head of Corporate Communications, the researcher, other foreign visitors.	Friday, 30 May, 2008
Presentation of CTX CEO at the regional conference	CTX CEO, CTX Top Managers, CTX parent group CEO, CTX's parent group Top Managers.	Wednesday, 25 June, 2008
CTX Annual Conference	CTX and 500 other companies from the shipping industry.	Friday, 2008, 4th July
Berth Allocation Department Presentation for foreign visitors	Assistant to Operations Manager, the researcher, summer interns.	Monday, 7 July 2008
Presentation to international students by CTX_HCSD	The Head of Cargo Sourcing Department, the researcher, summer interns.	Tuesday, 22 July, 2008
Informal dinner between CTX and EUH managers	The Head of Cargo Sourcing Department, the Assistant to the head of Cargo Sourcing Department, CTX Senior Commercial manager, EUH Vice President, EUH Marketing Manager, the researcher.	Friday, 5 June, 2009

*b. Direct observation form\_example*

Name of the event/episode observed	Site	Participants	Date

1. Description of the event/episode observed

2. Importance of the event/episode observed (e.g. information/illustration/confirmation/examples)

3. Conclusions/researcher's comments



*c. Direct observation form filled in for CTX Annual Conference, 2008*

Name of the event/episode observed	Site	Participants	Date
CTX Annual Conference	Hotel in the city	More than 500 companies including the terminal's direct and indirect customers, shipping consulting companies, other shipping industry professionals.	4 <sup>th</sup> July 2008

1. Description of the event/episode observed

This conference is one of the most important events in which CTX communicates with its customers. The conference included several parts. First, there was a presentation from CTX's top management with regards to the developments that had taken place at CTX during the year. The key developments concerned CTX expansion projects (additional berths for cargo ships, improved IT systems for cargo monitoring, warehousing facilities), agreements with customs and improvement of customs procedures for the users of the terminal. The key improvements developed by CTX were four additional berths, and the rail transportation project, of which the advantages were highlighted in terms of customs procedures in comparison to customs procedures applicable to truck transportation from-to CTX and to-from inland factories or warehouses. CTX presented its results for the year in terms of handling mega-vessels, the purchase of new cranes, the number of accidents and timing regarding the handling of different sized vessels.

The main questions asked by customers were about the capacity of the new berths, cargo quarantine procedures, and the scope and longevity of agreements between CTX and local government in terms of the development of rail cargo transportation.

The second part of the conference included a presentation by CTX's CEO on the situation regarding traffic in the terminal. This included a description of CTX's initiatives towards supporting the development of the railroad outside the terminal, which is intended to improve overall cargo transportation. Figures relating to traffic inside and outside the terminal were presented: berth availability at ships' arrival, and former and anticipated

congestion outside the terminal. Other initiatives put in place by CTX were presented by the heads of the IT and rail departments: coordination of activities between the terminal and inland warehouses, and deployment of security systems (CCTV, police monitoring).

The final part of the conference included a buffet for all the guests and informal communication between the participants.

## 2. Importance of the event/episode observed (e.g. information/illustration/confirmation/examples)

The event facilitated understanding of the key concerns of customers in terms of cargo handling in the terminal, and the key areas of CTX's activity towards improving its service. The strategy of continuous development of mega-vessel services was one of the most frequently discussed topics. CTX puts a lot of effort into developing facilities to handle mega-vessels. Customers had many questions relating to CTX's capacity and speed, and to congestion issues. CTX highlighted its role as a consolidator of logistics services for customers, whether they are end users or shipping companies. CTX highlighted its initiatives in terms of communication between the port, warehouses, tractor associations and security guards to improve congestion plans, communication and safety of operations.

Another important point was raised at the conference – the importance of improving customs clearance for customers. Customs procedures differ when cargo is transported by truck compared to by train. The procedure is easier when it is transported by train, and it takes less time, but there is less capacity compared to using trucks. The vice president of EUH said that using trains should allow the company to economise a significant amount of money and time. He also mentioned that it is very hard to keep developing the project without the support of local government, so he said he is happy that CTX is making the effort to present the project to the government and to get its support. When asked if the economy already takes place, he hesitated and said that the project needs to be developed further.

Another important point relates to the issue of quarantine: animal products, for example, have to go through quarantine. Also, the cargo, ship and vessel team are checked as part of the customs procedure. If the customs clearance procedure takes too long, the shipping

company needs to pay for this service. In this case there is a conflict with the terminal, as the ship is served and cleared in the terminal, but the clearance itself is outside of the terminal's control, as this is a government procedure.

A conversation with a top manager of CTX revealed that he has become a member of the municipal government – this points to possible links between CTX's importance in the region, and the relationship between CTX and the government.

A conversation between a final user of CTX and a marketing manager touched upon the joint marketing campaign currently being run by the two companies. The user invited the manager to visit factories where the goods are produced; the marketing manager introduced the head of the communications department and the journal issued by CTX on a monthly basis. An agreement was made about arranging a lunch to discuss the marketing campaign, which would be an example of an informal meeting between the parties.

A freight forwarding company described the relationships between the terminal, shipping lines, customers and freight forwarders as complex, with a high level of importance afforded to the shipping lines by the terminal, as the shipping lines make the decision about which terminal to use. Freight forwarding companies can select shipping lines that they want to use, and exporters/importers can choose the shipping line and forwarding company. However, these arrangements depend on the particular relationships between each party. Terminals interact with shipping lines and shippers mainly interact with shipping lines through forwarders. Shippers may also have direct relationships with the terminals.

### 3. Researcher's comments

The conference was in Chinese, and translated into English by interpreters. Those who wanted to use the translation were given a headset. After the official presentation, conversations were either in English (with foreigners) or in Chinese. When the researcher was observing a conversation in Chinese, she asked an English-speaking assistant for a translation if this was appropriate.

*d. Direct observation form filled in for Regional Conference between CTX and CTX parent group, 2008*

Name of the event/episode observed	Site	Participants	Date
Presentation of the CTX CEO	South China, regional hotel	CTX CEO, CTX top managers, CTX parent group top managers	25 <sup>th</sup> June, 2008

1. Description of the event/episode observed

CTX CEO presented the latest developments of CTX, summarised recent challenges coming from the environment and competitors and suggested a number of strategies which CTX can follow to retain its market share.

The presentation contained 18 slides and was based on the in-house data of CTX. The data below is extracted directly from the presentation.

The key issues discussed during the conference appeared at the following headings:

1. Recent Development of CTX
2. Performance in Year 2007
3. Competitor Landscape
4. Challenges & Opportunities
5. Sustainable Strategies

**Recent Development of CTX**

1. Record volume handled in 2007 – 10.0M TEU
2. Merging of CTX West Port businesses (this has been a part of CTX's project of

further development of the berths facilities)

### Performance in Year 2007

The key indicators of CTX performance were the growth of throughput, the growth of transshipment activity and empty container handling. Also, the data on the CTX's trade mix has been presented. The mix appeared to be dominated by the US and European directions, which accounted for 57% and 27% of CTX throughput correspondingly. However, a decline has been noticed in 2007 in the throughput of US services; the throughput fell from 63% to 57% on these directions. The data on the throughputs of CTX customers in 2006 and 2007 has been provided. The data is presented in the table.

Shipping line	Throughput ('000 TEU)		Growth rate
	2006	2007	
SLM	2,044.0	2,351.7	15.1%
SLR	1,011.5	1,254.5	24%
SLB	659.9	660.2	0.0%
SLC	603.4	632.3	4.8%
SLE	544.1	566.5	4.1%
SLQ	422.4	539.4	27.7%
SLS	418.6	486.9	16.3%
SLH	328.2	420.8	28.2%
SLO	291.1	299.0	2.7%
SLU	254.6	263.1	3.4%
SLV	268.6	258.3	-3.8%
SLK	304.0	254.7	-16.2%
SLA	215.7	237.7	10.2%
SLL	180.0	210.3	16.9%
SLW	124.7	115.2	-7.6%

Also the data on the total throughputs of the alliances has been provided and is presented.

Shipping line	Throughput ('000 TEU)		Growth rate
	2006	2007	
Five Star Shipping Alliance (SLC,SLB, SLE, SLH)	2135.5	2279.7	6.8%
World Class Shipping (SLK, SLY, SLO)	908.6	895.9	-1.4%
Great Alliance (SLL, SLZ, SLA, SLU)	669.1	728.0	8.8%

## Competitor Landscape

The data on the CTX and its key competitors' market shares in South China (SEZ-1, SEZ-2, Hong Kong) have been presented.

Market share in South China, 2007	CTX	CTV	CTW	CTS	CTP	CTL
	25%	13%	15%	4%	20%	14%

## Challenges & Opportunities

The CEO emphasized overall market situation, changes in the environment and customers' behavior.

### Market Situation

- Excessive supply of terminal capacity in South China
- Migration of manufacturing zone to inland China
- Consolidators migration to West SEZ-1

### Structural Changes

- Industry consolidation and collaboration leading to huge bargaining power of customers
- Government stringent policies on low-value/high pollution manufacturing industries
- Reminbi appreciation putting pressure on costs

### Customer Behaviour

- Very costs conscious
- Ever-changing customer demand
- More slots allocated to Central & North China
- High demand on vessels' productivity (over 200 MPH)

Out of all the challenges mentioned, the key ones were said to be the maturing of the shipping industry and thus, its overcapacity and the migration of cargo sources inland.

### **Sustainable Strategies**

#### **1. Hold critical mass at CTX through:**

- Maintaining dominance in US & Europe trade. Offer incentive to NEW US & Europe services and maintaining current services at CTX. E.g. service guarantee to carriers' "trump card" services
- Offer volume incentive to protect CTX's vested benefits in laden cargoes
- Offer preferential empty rate to make CTX laden outbound more attractive
- Preferential rate to other trade like Middle East

#### **2. Customer Growth Strategy**

- Dedicated efforts to develop deeper relationship with our crown jewels: SLM, SLR, Five Star Shipping Alliance and Great Alliance.
- Do not leave out the fast-growing but transactional customers i.e. SLQ & SLV.

Finally, the presentation finished with the information on the new container ships to be built in 2008 by CTX customers. The number and the specifications of the ships has been provided.

2. Importance of the event/episode observed (e.g. information/illustration/confirmation/examples)

- CTX's recent developments have been presented, which complemented the external sources and the data from the interviews, thus allowing for triangulation and increased reliability of data.
- Similarly, the presentation allowed understanding the environment of CTX better and confirmed the evidence received from other external sources and from the interviews about the competitive situation on the SEZ-1 market and the key challenges.
- Important in-house customer data has been obtained. First of all, annual throughputs, and throughput growth at CTX allowed obtaining the first idea on the "attitude" of customers towards CTX. Secondly, the data on the total throughput of the shipping alliances was provided. This kind of data is confidential and would never be obtained from external sources.
- The indication of the two groups of customers, referred to as "critical mass" and "crown jewels" supported the data obtained from the interviews, that CTX sees its customers differently. The overall way the strategies were presented pointed at the fact that the critical mass is to be kept by the volume and other incentives, while the "crown jewels" are those companies with whom "deeper" relationships should be developed. The CEO emphasised that "dedicated efforts" should be taken to develop these deeper relationships with "crown jewels" – something which was not said about all the customers. This also confirms the results of Study 1 that CTX indeed, prioritises some customers over others and devotes its limited resources only to those it values most.
- The data from the presentation on the names of the customers named "crown jewels" and "fast-growing, but transactional" complemented the data on the companies named as partners and prospective partners by the Head of Commercial department. Thus, based on these two sources and the names of companies obtained during Study 1 allowed finalising the list of companies viewed by CTX as partners.



- Bringing together the names of customers named as partners or “crown jewels” against their respective throughputs at CTX and their vessel construction plans allowed having a preliminary idea (before interviews with customers and key account managers) about the importance of throughput volume and the presence of mega-vessel strategy for being regarded as CTX’s partner. It follows from the data of presentation that “crown jewels” are those companies, having high throughput at CTX. However, other companies, like SLQ have high throughput at CTX, but were not names “crown jewels” or partners.

### 3. Conclusions/researcher’s comments

The presentation allowed obtaining a lot of first-hand, internal company data on its customers, which was not available elsewhere. The use of data in the thesis has been verified with the CTX CEO and the consent has been obtained provided that companies’ names are disguised.

## Appendix 7. Data analysis

### a. Table of codes Study 1

Code	Explanation of code
<b>CTX</b>	<b>Container terminal X</b>
<b>CTX RESPOND</b>	Information about respondents
<b>CTX CORP CULT</b>	Corporate culture of CTX
<b>CTX STRAT</b>	CTX's business strategy
<ul style="list-style-type: none"> <li>• <i>CTX_STRAT_EMOT_PREF</i></li> </ul>	Emotional preference – one of the terms used by CTX when describing its strategy towards customer relationships
<ul style="list-style-type: none"> <li>• <i>CTX_STRAT_MEGA_VESSEL</i></li> </ul>	CTX mega-vessel strategy
<ul style="list-style-type: none"> <li>• <i>CTX_STRAT_EXP_MARKET</i></li> </ul>	Experience marketing – the term used by CTX to describe CTX's approach to establishing relationships with customers
<ul style="list-style-type: none"> <li>• <i>CTX_STRAT_SER_PERC</i></li> </ul>	CTX's perception of its own service
<b>CTX VISION</b>	CTX's vision
<b>CTX HIST</b>	The history of CTX
<b>CTX SUCCESS</b>	CTX's understanding of success in the shipping industry
<b>CTX GOVT_RELAT</b>	Relationships between CTX and the government
<b>CTX DIRECT</b>	Relationships between CTX and its direct clients
<b>CTX INDIR</b>	Relationships between CTX and its indirect clients
<ul style="list-style-type: none"> <li>• <i>CTX_INDIR_NEED</i></li> </ul>	The needs of indirect clients recognised by CTX
<ul style="list-style-type: none"> <li>• <i>CTX_INDIR_REASCOME</i></li> </ul>	CTX's understanding of the reasons for indirect clients to come and work in this area
<b>UNDERST_BS_RELAT</b>	<b>Understanding of buyer-seller relationships by CTX's managers</b>
<b>BS_REL_COMMUN</b>	Communication in buyer-seller relationships
<ul style="list-style-type: none"> <li>• <i>BS_REL_COMMUN_CONT</i></li> </ul>	Communication content
<ul style="list-style-type: none"> <li>• <i>BS_REL_COMMUN_FREQ</i></li> </ul>	Communication frequency
<b>BS_REL_CONF_RESOL</b>	Conflict resolution in buyer-seller relationships
<b>BS_REL_INF_SHAR</b>	Information sharing in buyer-seller relationships
<b>PARTNERSHIP</b>	<b>Understanding of the concept of partnership by CTX's managers</b>
<b>PART_UNDERST</b>	Understanding of the nature of partnerships
<ul style="list-style-type: none"> <li>• <i>PART_UNDERST_CLOSE</i></li> </ul>	Close relationships
<ul style="list-style-type: none"> <li>• <i>PART_UNDERST_IRREP</i></li> </ul>	Relationships which are irreplaceable

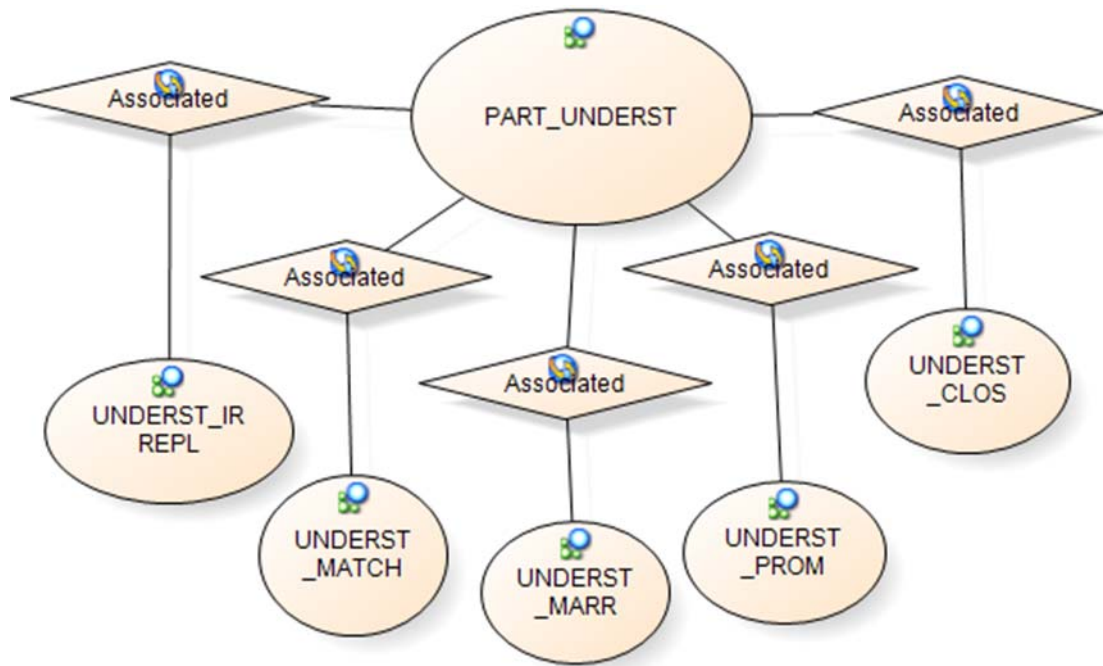
• <i>PART_UNDERST_MARR</i>	Partnerships as marriages
• <i>PART_UNDERST_MATCH</i>	Partnerships as a match between partners
• <i>PART_UNDERST_PROM</i>	Partnerships as a promise
<b>PART_BEH</b>	Behaviour in partnerships
• <i>PART_BEH_CTX</i>	CTX's behaviour in partnerships
• <i>PART_BEH_SL</i>	Shipping lines' behaviour in partnerships
• <i>PART_BEH_EU</i>	End users' behaviour in partnerships
<b>PART_EXAMPL</b>	Examples of partnerships
• <i>PART_EXAMPL_BREAK</i>	Example of breach in partnership
<b>PART_COND</b>	Conditions for engaging in partnerships
• <i>PART_COND_REPUT</i>	Reputation as a condition for engaging in partnerships
○ <i>PART_COND_REPUT_OWN</i>	Own reputation
○ <i>PART_COND_REPUT_PART</i>	Partner's reputation
<b>PART_OPERAT</b>	Partnership's operation
• <i>PART_OPERAT_CUSTROLE</i>	Customer's role in partnership operation
• <i>PART_OPERAT_SELLROLE</i>	Seller's role in partnership operation
<b>PART_MOTIV</b>	Motives for engaging in partnerships
• <i>PART_MOTIV_SURV</i>	Survival as a motive for engaging in partnerships
• <i>PART_MOTIV_COMPADG</i>	Maintenance of competitive advantage as a motive for engaging in partnership
• <i>PART_MOTIV_INFL</i>	Influence on shipping lines as a motive for engaging in partnerships
<b>CHINE_ENV</b>	Chinese business environment
<b>CHINE_ENV_CULT</b>	Chinese culture
<b>CHINE_ENV_CULTDIFF</b>	Cultural differences between Chinese and foreign companies
<b>CHINE_ENV_RESPECT</b>	Respect as a part of Chinese culture
<b>CHINE_ENV_SHIPIND</b>	Shipping industry in China
• <i>SHIPIND_INTERDEP</i>	Interdependence between the actors in the shipping industry
• <i>SHIPIND_NATURE</i>	The nature of the shipping industry
• <i>SHIPIND_TREND</i>	The trends in the shipping industry

b. Table of codes Study 2

<b>BEH</b>	<b>Behaviour of buyers and sellers in partnerships</b>
• <i>SELLER</i>	Behaviour of seller
○ <i>BEH_SEL_ACT</i>	Actions carried out by seller in partnerships
<i>SEL_ACT_COORD</i>	Actions related to coordination of activities
<i>SEL_ACT_RELAT</i>	Actions related to enhancement of relationships
<i>SEL_ACT_SERV</i>	Actions related to the provision of services
○ <i>BEH_SEL_BEL</i>	Beliefs expressed by seller towards partnerships
• <i>BUYER</i>	Behaviour of buyer
○ <i>BEH_BUY_ACT</i>	Actions carried out by buyer in partnerships
<i>BUY_ACT_COORD</i>	Actions related to coordination of activities
<i>BUY_ACT_RELAT</i>	Actions related to enhancement of the relationships
<i>BUY_ACT_SERV</i>	Actions related to the reception of service
○ <i>BEH_BUY_BEL</i>	Beliefs expressed by buyers towards partnerships
<b>ENG</b>	<b>Engagement of buyers and sellers in partnerships</b>
• <i>ENG_PART_MOTIV</i>	Motives for engaging in partnerships
○ <i>MOTIV_BUY_DEDICAT</i>	Buyers' motives: dedicated service provider
○ <i>MOTIV_BUY_DIFFER</i>	Buyers' motives: service differentiation
○ <i>MOTIV_BUY_INSID</i>	Buyers' motives: insider in the new market
○ <i>MOTIV_BUY_COSTSAV</i>	Buyers' motives: cost saving
○ <i>MOTIV_BUY_MUTGOAL</i>	Buyers' motives: Pursuit of mutual goals
○ <i>MOTIV_SELL_CUSTATTR</i>	Sellers' motives: attraction of other customers
○ <i>MOTIV_SELL_GROW</i>	Sellers' motives: directed growth
○ <i>MOTIV_SELL_SURVIV</i>	Sellers' motives: survival in difficult situations
○ <i>MOTIV_SELL_REPUT</i>	Sellers' motives: reputation improvement through partnership
• <i>ENG_PART_COND</i>	Conditions for buyers' and sellers' engagement in partnerships
○ <i>COND_CHAR_BUY</i>	Characteristics of buyers' companies considered by seller when making decisions on engagement in partnerships
○ <i>COND_CHAR_SELL</i>	Characteristics of sellers' companies considered by buyer when making decisions on engagement in partnerships
○ <i>COND_FINSTAB</i>	Financial stability
○ <i>COND_STRAT</i>	Company's strategy
○ <i>COND_SERV</i>	Appropriateness of service provision
○ <i>COND_REP</i>	Reputation
○ <i>COND_LOCAT</i>	Location of buyer/supplier

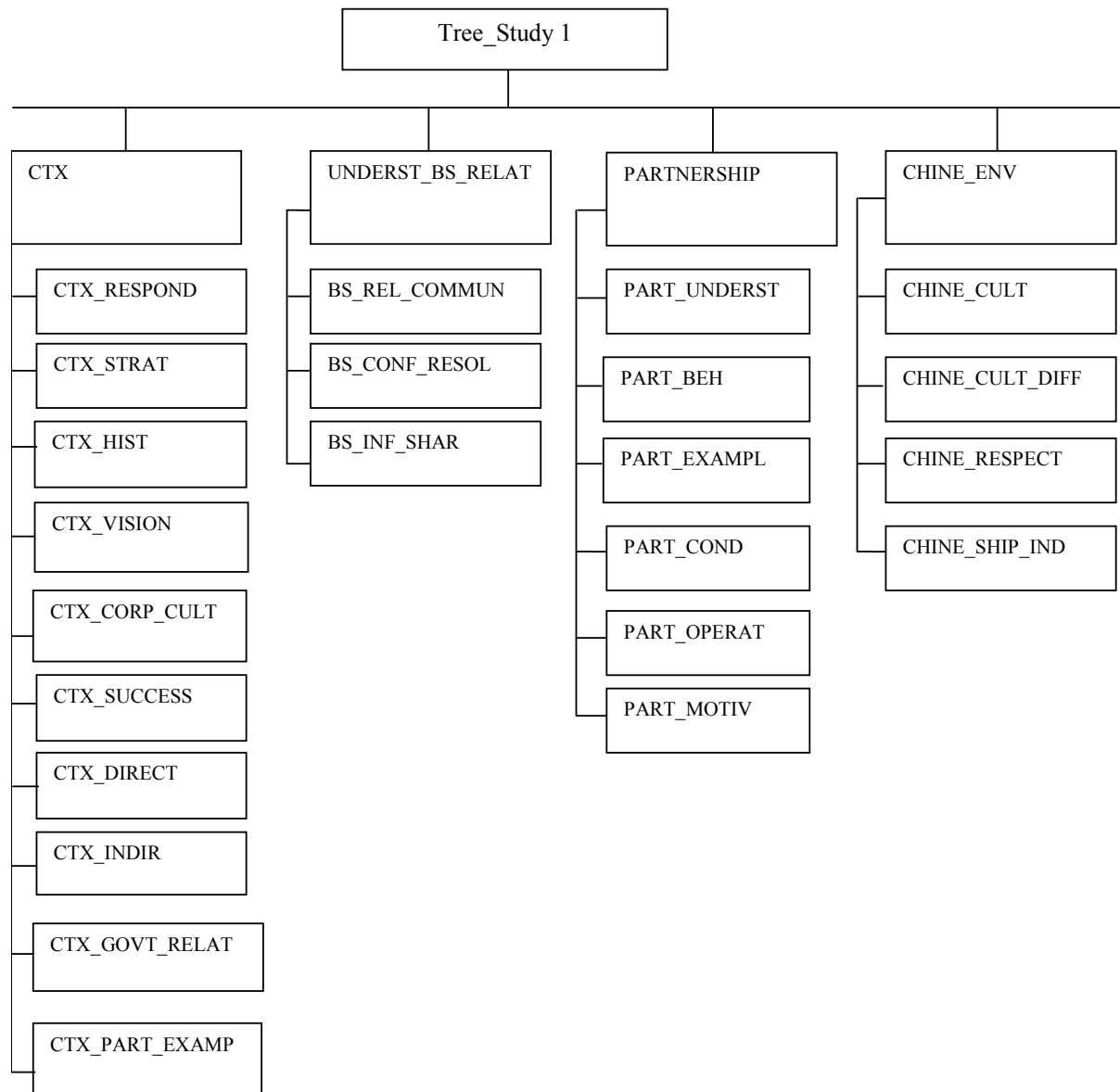
○ <i>COND_GUANXI</i>	<i>Guanxi</i> of buyer/supplier
• <i>ENG_PART_PARTIC</i>	Levels of management participation in partnerships' initiation and running
<b>PERS_RELAT</b>	<b>Personal relationships in partnerships</b>
• <i>PERS_CONT</i>	Personal contacts
• <i>PERS_GUANXI</i>	<i>Guanxi</i> with managers from buying/selling companies
• <i>PERS_RESPECT</i>	Demonstration and importance of respect
• <i>PERS_TRUST</i>	Personal trust in partnerships
<b>REL_STR</b>	<b>Relationship strength in buyer-seller partnerships</b>
• <i>REL_STR_COM</i>	Commitment in partnerships
• <i>REL_STR_TRUST</i>	Trust in partnerships
• <i>REL_STR_DEP</i>	Dependence in partnerships
○ <i>DEP_ALLIANCE</i>	Dependence on alliance members
○ <i>DEP_GROUP</i>	Dependence on parent group
○ <i>DEP_NETW</i>	Dependence on the network
○ <i>DEP_EU</i>	Dependence on the end user
<b>PART_CONT</b>	<b>The effect of context on partnerships</b>
• <i>CONT_CULT</i>	Cultural context effect
• <i>CONT_GECON</i>	Global economy effect
• <i>CONT_IND</i>	Industry effect
• <i>CONT_NETW</i>	Network effect
<b>PART_TYPE</b>	<b>Types of buyer-seller partnerships</b>
• <i>TYP_DIR</i>	Direct partnerships
• <i>TYP_INDIR</i>	Indirect partnerships
• <i>TYP_DIFF_DIR_INDIR</i>	Differences between direct and indirect partnerships
• <i>TYP_BREAK</i>	Broken partnerships
<b>DEFIN</b>	<b>Partnership definition</b>

c. Graphical presentation of the associations expressed by the participants in Study 1 towards the concept of buyer-seller partnership

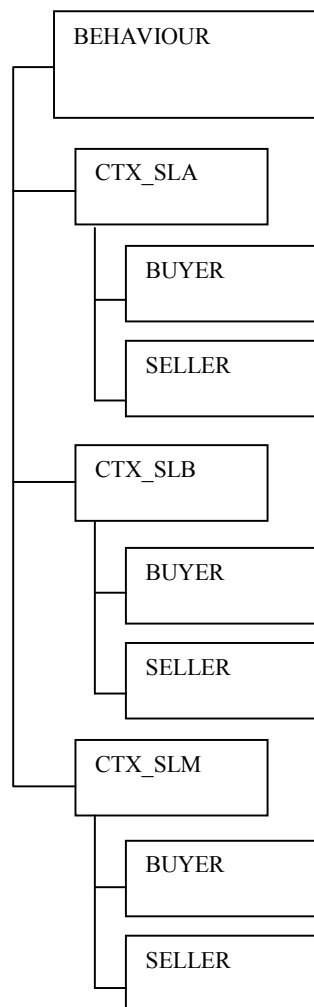


*d. Tree nodes*

**Tree node Study 1**

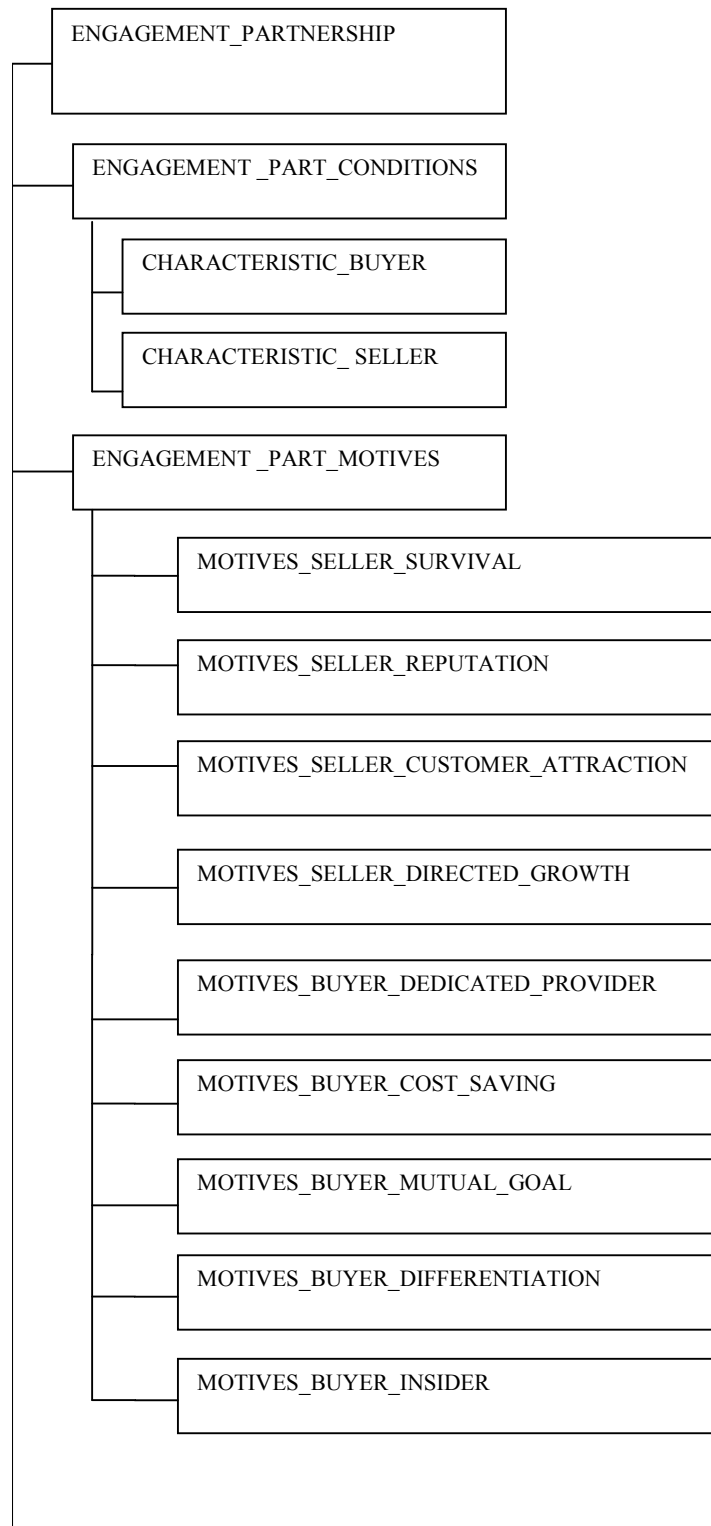


## Tree node Study 2 – sorting the data





## Tree node Study 2 –\_coding the data



## Appendix 8. Coding Summary Report

**Project:** The main research

**Generated:** 28/03/2011 09:02

**Coding By**

**Name**

Katia

**Initials**

E.C.

**Total Users**

1

**Internals\Interviews\Direct\SLM**

**Document**

**Node Coding**

**References**

**Coverage**

**Tree Nodes\STUDY\_2\_Coding\_1\INV\_PART\CTX-SLM\SELLER**

**13**

**18.43%**

*Reference 1* Coverage 1.35%

*Character Range* 2236 - 2706

How did the partnership with CTX start?

Well, I have not been here from the very beginning, I came here when the partnership [had] already [been in place] for some years ... However, from what I see SLM and CTX have been working very well together, in terms of day-to-day communication as well as long-term future plans. Our company is focused on mega-vessels ... CTX is aiming to be the best in handling mega-vessels ... therefore we have a very good common ground and a very good partnership.

*Reference 2* Coverage 1.09%

*Character Range* 2708 - 3089

Do you see this common ground in terms of mega-vessel plans as the most important in your partnership?

Well, this is definitely very important, because this is a very costly business ... To build a big ship is very expensive. Therefore, when we do it we need to have a reliable partner, who will provide an excellent service in handling this ship ... a partner who we know and trust...

*Reference 3* Coverage 1.49%

*Character Range* 3091 - 3609

Do you have a partnership with CTX because of necessity?

Hmm ... Thats a good question ... well ...of course, obviously, the necessity is there, we are first of all speaking in numbers, so yeah,.. we need to have a reliable dependable partner. However one point here ... necessity alone would not help ... yes, we are limited in our choice of terminals, but CTX is not the only one. We need to have this understanding that we are doing a common thing, because [at] the end of the day we are serving a final customer, both of us!

*Reference 4* Coverage 2.96%

*Character Range* 3709 - 4741

We had original investments in CTX from our company ... because the top manager saw this as potentially rewarding ... but also from day one we [saw] cost saving opportunities [in] moving cargo to CTX as opposed to other [terminals]. From day one of [the] partnership we saw immediate financial benefit ... That changed over time. We don't see necessarily more profit [from] moving containers out of CTX. Now it's more our customers [that] see the savings ... so in the beginning it was something SLM was driving because it was profitable to us, however now we see [that] our customers are getting benefits from it ... and our partnership with CTX has grown as such. Also, at the same time other ports opened to compete with CTX, [and] we have started to buy there because we were feeling they were best positioned to serve our customers, so there has been an evolution [in the] partnership. Right now we are choosing them [CTX] not because of cost, not because of our customers demand necessarily, but because WE feel they are best to serve their customers.

*Reference 5* Coverage 0.72%

*Character Range* 19095 - 19346

Number one we expect reliability ... from them ... we expect that they will [be] trustworthy with the information that they are providing us and that they will be as flexible with us as possible. These would be the results of a partnership that we look for.

<i>Reference 6</i>	Coverage	1.13%	<i>Character Range</i>	19444 - 19836
--------------------	----------	-------	------------------------	---------------

The goal of this is that CTX is providing us with the best services possible, to be the most reliable, that will allow us to keep our cost[s] down and allow us to be a strong shipping company. If they provide that we are [going to] benefit as a company and going to the point made earlier if we benefit as a company CTX will benefit as a company as well, as more volume will be going to their port.

<i>Reference 7</i>	Coverage	0.61%	<i>Character Range</i>	23777 - 23988
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I think ... without this understanding the partnership would [n]ever [have] started [in] the first place. Personal relationships are more important [in] the initial stages when people do not know each other...

<i>Reference 8</i>	Coverage	1.53%	<i>Character Range</i>	24920 - 25453
--------------------	----------	-------	------------------------	---------------

Taking your partnership with CTX as an example, what factors do you think should be present for a partnership to appear?

The necessary [factors] for partnership[s] ... I think one is mutual need that we have touched on earlier, there has to be mutual benefit for both sides for it to appear ... exactly like in [the] case with CTX ... I don't think there can be [a] one-sided partnership, it does not exist ... so there has to be mutual benefits to each side, there has to be trust and there has to be organisational commitment to the partnership...

<i>Reference 9</i>	Coverage	1.14%	<i>Character Range</i>	25455 - 25851
--------------------	----------	-------	------------------------	---------------

OK and what factors [do] you think could lead to a partnership break down?

Hmm ... I would guess the quickest thing that would break a partnership would be a lack of trust and then close behind that is [when there is] only one-sided benefit, a one-sided partnership. If only one side is getting the benefit ... it will very quickly lead to it becoming a business transaction as opposed to any sort of relationship.

<i>Reference 10</i>	Coverage	1.44%	<i>Character Range</i>	28967 - 29470
---------------------	----------	-------	------------------------	---------------

Absolutely! I think CTX's ability to provide reliable and trusted services allowed us to sell the shipping from SZ to our customers as opposed to ship[ping] out of HK. We were early on in the relationships absolutely the one driving our customers to ship out of SZ and CTX's ability to provide reliable, stable service to SLM and ultimately to our customers is a huge part of our success.

So you see the connection between their position in the network and benefit to your partnership?

Absolutely...

<i>Reference 11</i>	Coverage	2.70%	<i>Character Range</i>	29474 - 30413
---------------------	----------	-------	------------------------	---------------

How important is the reputation of this company for you?

You know ... SLM ... one of our key values is our name and key things we stick to is our reputation and CTX likewise has a very similar reputation especially when we are talking about ... South China. They [position] themselves as what is generally accepted as a superior and reliable port. That reputation makes our job, the job of the sales organisation, much easier, because you are selling something which is [a] reliable, well known ... product, so that name speaks for itself. You don't have to convince people that that is the port to use, because they know that it is a reliable port in SZ.

OK, I see ... do you see them as your best partner in South China?

Hmm ... of the terminals, yes, they are our best partner ... it is the longest partnership we [have] had in South China. It is a very close one, SLM does have investment in other terminals, so those are more not partnerships, but ownerships.

<i>Reference</i> 12	<i>Coverage</i> 1.54%	<i>Character Range</i>	31074 - 31612
---------------------	-----------------------	------------------------	---------------

I think before you can measure the performance first you should establish what the requirements are. I think it's very easy in our business to measure the amount of containers that we ask them to load and put on a particular vessel and [whether] they are doing it in a timely fashion. I think from our standpoint it's very easy to measure that aspect of it...

Financial[ly]...

Yeah ... and I think without that everything else [follows] ... and that is one of the most important aspects we are looking for is the reliability, the speed of action.

<i>Reference</i> 13	<i>Coverage</i> 0.73%	<i>Character Range</i>	33495 - 33751
---------------------	-----------------------	------------------------	---------------

I also think that in terms of flexibility ... there is a lot more of it in our work with CTX.

What exactly do you mean by flexibility?

Well ... their ability to react when we need them to react ... and to do it quickly ... as in our business it is all about time...

<b>Total References</b>	<b>13</b>
<b>Coverage</b>	<b>18.43%</b>
<b>Total Users</b>	<b>1</b>

## Coding Summary Report

**Project:** The main research

**Generated:** 28/03/2011 09:05

### Coding By

**Name**

Katia

**Initials**

E.C.

**Total Users**

1

**Internals\Interviews\Direct\SLM\_CTX\_CEO**

**Document**

**Node Coding**

**References**

**Coverage**

**Tree Nodes\STUDY\_2\_Coding\_1\INV\_PART\CTX-SLM\SELLER**

**7**

**13.72%**

*Reference 1*      Coverage    2.48%

*Character Range*      1297 - 2260

How [did] you ... figure out from the beginning that you want[ed] to be partners with them?

Well ... the decision was taken [partly] because of a view that ... we looked around for partners and they demonstrated this long-term interest in China, this vision of developing the Chinese market...

Ok...

It was also the time when they set up their China office. So I think that they had this view that they wanted to play a big game not only in Hong Kong but also in China. So they invested heavily in China market. Currently they are the largest or a second largest container shipper in China ... So they invested very heavily in [the Chinese] market ... They thought about having a partnership with the terminal. So they sold their share in Hong Kong and went into partnership with us.

Later on we discovered that they are very active in other ports in China also. [gives the names of the companies] So they have been very active trying to be the shipping leader in China.

*Reference 2*      Coverage    1.26%

*Character Range*      2262 - 2751

But you have developed the strategy together with SLM?

And with few other partners ... In terms of mega-vessels these are also SLC and SLS...

Did SLM facilitate this partnership?

Well over years, especially in the beginning ... it was both ... they told us a little bit and we told them a little bit and [then] they told us some more and we told them some more ... so it is a mutual thing. From their perspective they need our help and from our perspective we needed to know what they want.

*Reference 3*      Coverage    0.77%

*Character Range*      3099 - 3398

So you found each other out of ... need?

Yeah ... because of ... need, as I said we were starting, they were starting on a new market. Both of us had a long-term vision of this business. So yes, there was a need and there was this vision and similar aims. So this was the reason for this partnership.

*Reference 4*      Coverage    2.58%

*Character Range*      19166 - 20167

Well, when I talked about down time ... it is in their interests, as their shareholders signed a document that they will use [only] CTX ... in South China. So they have an interest in [helping] us [to be] successful. So they don't like to see us too busy, as if we are too busy we cannot pay attention to them. But if we are not busy that would mean that ships are going elsewhere, so for them it would have been very hard to market CTX. So this is a strange thing ... End users also choose terminals, carriers choose terminal[s] ... carriers want a very good terminal, a prosperous terminal, but they don't want to have a congested one. When you are very successful, [then] everybody comes in and you become congested, because you don't build fast enough for them ... but if you build too fast and you are empty this is also bad for them ... as they have problems marketing you ... So what I am saying is that they are a customer, but they are more than a customer, that's where the partnership is formed.

<i>Reference</i> 5	<i>Coverage</i> 0.77%	<i>Character Range</i> 27360 - 27660
How do you see your common goal?		

So to what extent is your partnership with SLM ... about service?

Its critical ... we became who we are because of our service levels. I can't imagine people like SLM or anybody coming here without expecting this level [of service].

Ok, How important is this for the partnership?

<i>Reference</i> 6	<i>Coverage</i> 2.94%	<i>Character Range</i> 27709 - 28852
--------------------	-----------------------	--------------------------------------

The foundation of a partnership, of a good partnership, is that you deliver what you promised. That's the first thing. Customers want service, productivity and efficiency ... we deliver this. This is the fundamental thing, that's a foundation if you will ... After that you talk about development, about ongoing dialogues, what's going on and what will happen in the future. To the extent to which we understand what they want in future and what they want to do in South China and to the extent to which they understand what we want to do in future, we have some form of partnership. It is always a matter of degree, there is no perfect partnership. Do we understand them? Do they understand us? Are we willing to work with them? Are they willing to work with us? Some "give and take" here ... And the way I put it is: you deliver on your promise. If you don't deliver on your promise – nothing works and they won't be willing to pay for your services, as you cannot fulfil the promise and you don't improve and therefore, they will go elsewhere. So this is a fundamental thing. So relationship management is one thing, but [the most important point] is - deliver!

<i>Reference</i> 7	<i>Coverage</i> 2.92%	<i>Character Range</i> 30458 - 31594
--------------------	-----------------------	--------------------------------------

... What kind of resources do you bring into your partnerships?

Well, we bring ... the [whole] organisation. I mean [there's] probably one manager dealing with the other manager, but behind him there is the whole organisation, and he know[s] that he can contact senior executives and call operations, finance, IT, engineering, to provide a service ... The last thing I want is one-on-one only. So he or she as a relationships manger is the interface.

Ok, what kind of resources is needed on both sides?

Well, we definitely need relationships managers on both sides. We also need to be customer-oriented organisations...

Both of you?

Yeah ... Customer-oriented organisation[s], from reception to senior executive[s]. Complementarity is another thing. When you think about it you think about alignment of philosophies as well as capabilities ... alignment in the way of doing business ... The more compatible, the better it is, the [more likely it is that the] partnership will go well. For example, if we don't give a damn about the service while they treat this as the first priority when providing services to their customers, [then] we run into ... trouble. So compatibility is important.

<b>Total References</b>	<b>7</b>
<b>Coverage</b>	<b>13.72%</b>
<b>Total Users</b>	<b>1</b>

<u>Node Coding</u>	<u>References</u>	<u>Coverage</u>
Tree Nodes\STUDY_2_Coding_1\INV_PART\CTX-SLM\SELLER	7	8.55%

Reference 1 Coverage 1.21% Character Range 5632 - 6007

Carriers are our major customers and we also have feeder companies, which are running much smaller vessels and just going between here and Hong Kong ... with them we have more like buyer-seller relationships...

Is that because of their size?

Size yes ... because the attitude is that we don't have that much in common ... in terms of attention and resources there is a big gap...

Reference 2 Coverage 2.00% Character Range 9548 - 10170

So what is the most important [thing] to you in your partnerships with SLM?

I think it is the willingness to share the strategic plans ... I think it is crucial ... because only these things will have to mature and strengthen the partnership. Because when you talk about partnership you are talking about [the] long term or at least medium ... not a one year ... because for me when we are talking about partnership we are talking about quite a long interval of working relationships, where we are counting on each other, grow[ing] together; without constant exchange of information or strategic plans ["partnership" is] just an empty word...

Reference 3 Coverage 0.60% Character Range 18452 - 18640

What about SLM, what kind of results do you expect from partnership with them?

Pretty much the same things – honesty, cooperation, including us into their [growth] plans ... trusting us...

Reference 4 Coverage 1.84% Character Range 18648 - 19221

If you think about your partnership with them, do you think it is based on self-interest or mutual interest?

I think its very ... I think its more like win-win ... at first they will take their own interest into consideration, but it will always be the case that they will take care of their self-interest and also fulfil our desires ... sometime this case is like ... if you have [a] long-term partnership ... this time I benefit a bit and next time you would expect and have a reasonable expectation and that I would give you something back in [the] future...

Reference 5 Coverage 1.25% Character Range 19910 - 20298

I think that self-interest is actually one of the key elements ... because ... if say we have a strong partnership with SLM ... say if today I have a request that we have to increase their price ... no matter how strong [the] partnership is I don't see how [we could do this] ... given ... the market situation ... so if it was just self-interest it would just wipe the partnership out...

Reference 6 Coverage 0.90% Character Range 28026 - 28305

Ok, would you say that your top partnerships are more stable or not?

Relatively, top partnerships are more stable than those [further] down the ladder...

I see. Do you think [the] partnership [is] active?

Yes... it is...

On which side it is more active...?

I would say it is [active on] both sides...

Reference7Coverage0.75%

Character Range29828 - 30061

What is important for you [in] build[ing a] partnership?

Hmm ... I think size would be one thing, but more important is the chemistry ... it so happens that the top management align in terms of thinking and mentality, [so] we work well together...

Total References	7
Coverage	8.55%
Total Users	1



## **Appendix 9. Example of a partnership description**

### **A.1. CTX-SLB**

#### **A.1.1. CTX-SLB: engagement in relationships**

SLB started using CTX's services gradually, in the late 90s. By this time CTX had already been operating for about five years. SLB, as reported by the respondent, was careful in observing how CTX did in its first years of operation. For CTX, their top management started visiting SLB from the beginning of CTX's operation in order to introduce the company. CTX was purposefully looking for partners and SLB, being the top Asian carrier with an established reputation and brand name, was of great interest to CTX. However, the meetings did not produce any physical results in the first few years, despite the willingness of SLB to "work together in future". The companies were keeping in touch, but SLB didn't call the terminal until other shipping carriers started doing so. However, one more reason for SLB's precautions in using new terminal were the 1997-98 Asian Financial crisis. The company was hit by the crisis and had to go through a major reconstruction. To a certain extent the fact that lines like SLK and SLM were calling CTX influenced SLB and other carriers, as both SLK and SLM are world leaders. Nevertheless, SLB was still one of the first big shipping lines to call CTX. From the late 90s, the volume of cargo brought by SLB through CTX started to increase and at the time of the research SLB was one of the top five carriers contributing to CTX's throughput. The share of SLB's throughput is 7% and, as reported by SLB, 70% of its cargo in the region goes through CTX. The partnership between the two companies is seen by SLB as stimulated by both sides.

***How would you say the partnership with CTX was stimulated, by one side or both?***

I think [this partnership has been stimulated by] both parties ... if one party gives some stimuli, [for example] some advanced package, but the other one cannot do the same [in return] this is of no use...

So we gave our conditions first to CTX [then] they gave us their[s] ... [then] both parties moved forward and stimulated each other ... also we needed to consider [the] overall market situation at that time ... When CTX opened I [was] already [working at] SLB.

[CTX] were struggling [at] the start of their operation ... so we were cautious, we observed, tried putting a little cargo [through them] first ... When we saw that they are very good, we brought more. They needed [a] company like SLB for their reputation and [growth], so they made us good deal (SLB\_BVP).

For SLB, the key factors that affected its choice to bring more cargo to CTX were its historical relationship with CTX, CTX's financial stability, especially during the crisis, and the fact that CTX has established a good reputation in the shipping industry. One more issue which was considered by SLB was the business focus of the terminal; for example, whether the terminal could provide transshipment services, and what the main markets are that it serves. For SLB, which carries out a large amount of transshipment in the region, CTX is the logical choice as this is the key terminal for transshipment in the area. This, again, highlights the importance of the location of the terminal. Even though this was not directly mentioned by SLB, knowing that the company conducts a lot of business with the terminals in nearby areas suggests that the natural availability of deep water, as opposed to the narrow channel or shallow water on the other side of the region, is also a factor affecting SLB's decision.

### **A.1.2. CTX-SLB: behaviour**

#### ***A.1.2.1. SLB's vision of relationships with a terminal***

SLB is a relationship-oriented company. It aims to build strong, close relationships with key stakeholders in its business. This includes both its suppliers and customers. Its relationships with terminals are generally viewed by SLB as only partially built on the balance between supply and demand, while a major part of its relationships relates to the ability of both a terminal and a shipping line to understand and support each other. The SLB respondent stressed the need for close relationships between their company and a terminal for the successful development of business.

My opinion on relationships with the ports ... [is that] even [though] we are buying their service also we need their help. Of course, in some business it depends on [the] supply and demand balance. But sometimes we need their support and they need our support, so it is based on some mutual understanding and partnership (SLB\_BVP).

In general, a partnership with a terminal for SLB is a combination of service reliability, understanding between the two organisations on both organisational and personal levels, and common values and aims shared by both partners. An example provided by the interviewee was the “green” initiative of their company. Based on this value, which is formulated into SLB’s strategy, the shipping line needs to have a partner which has similar values and an ability to develop green solutions for SLB. In particular, this was one of the reasons why SLB has partnered with CTX.

For me, partnership with our customers and terminal is a tight relationship ... We need their reliability and best service ... and they need us to use them more ... But this is [a] simple way to say it. You need [the] right people to have [a] partnership, ... [with the] right aims, and [it is] better if the aims of you and your partner are similar because if they are not similar there will be no understanding (SLB\_BVP)

#### A.1.2.2. CTX and SLB’s perceptions of their relationship

SLB is seen by CTX as a very important partner. SLB is in the top three most important partners of CTX together with SLM and the Chinese carrier from the same alliance. The possibility of SLB’s departure and partnership breach is seen by CTX as an event that would do major damage to its business and image.

SLB is also seen by CTX as a company with a very strong reputation in the shipping industry. The terminal even believes that SLB contributes to its reputation much more than the other way around. The reasons for this are that SLB is more in touch with end-user customers than CTX, and having a partnership with SLB promotes the terminal. This is a benefit for the terminal as end-user customers usually use several shipping companies for transportation. Therefore, having positive feedback from one shipping line might lead them to ask other shipping lines to call CTX.

For SLB, they can affect our reputation more than we can affect their reputation, as I think that they are more important to us, than we to them ... because we are [a] terminal operator, and they are a huge company ... with many customers ... so they promote us to their customers and we have more weight in the industry like that (SLB\_KAM).

CTX is the number one terminal operator partner for SLB, not only in the region of China but also in the South-East Asia. More than 70% of SLB's cargo is transported through CTX. CTX is seen as a partner, and SLB's attitude towards the company is very positive. People from CTX are seen as very professional and responsive, while the company itself is perceived as a leader in the market with high potential, providing service which is superior to that of its competitors.

The key elements of the partnership between SLB and CTX, according to the shipping line, are the commitment of SLB in terms of cargo volume, openness about future plans and investments into the development of CTX. On the side of CTX, a partnership is a combination of excellent service, special arrangements and, more importantly, respect, appreciation of the business SLB brings, and the personal attention of the management.

I think on the business side the key part is some business potential, power. In order to build a strong partnership with our service provider, we have to provide a lot of product[s and] handling volume to them. I think this is [the] main component. Based on that, they can give us a good, a better deal. Frankly speaking, how much cargo we are carrying and what ... our future investment plan[s are are] combined.

***So sorry, what is combined?***

The information about our plans, cargo throughput and investments and developments. CTX wants to know this and we tell them ... and they appreciate that we share and give us some special deals (SLB\_BVP).

Out of all the carriers interviewed, SLB is almost the only company which places a strong emphasis on the emotional side of doing business with CTX. Partially due to its corporate culture, and partially based on personal relationships, SLB finds it pleasant to work with CTX and feels that CTX "enjoys" working with their company as well. This feature is brought up as one of the differences between CTX and other terminals. The only problem which can arise in the partnership is congestion of the terminal. This is something which has already happened, before CTX's expansion. Congestion is a side-effect of CTX's "popularity", so for SLB, CTX needs to stay reasonably "popular", but not congested.

I think the partnership with CTX is really [important], because we already know the rate they can provide and how much they can [offer] with the new service. I think the partnership [is] like [a] marriage, but the problem is that if [the] export market is booming again and it becomes congested ... then maybe [we will work with other terminals as well] (SLB\_BVP).

CTX, for its part, greatly values its partnership with SLB, and views the company as one of its most reliable customers and partners. Among its many customers, SLB is the one perceived by CTX as a truly loyal one.

The reason why I say that we are partners is that ... many companies are using terminal operators ... and in [the region] there are several operators, like CTF, CTK, CTL, so in terms of loyalty to CTX, they are the highest among all the shipping carriers ... out of 100 boxes handled in [the region], 95 are handled [by] CTX. They are very, very loyal to us and because of their loyalty we also try to provide them with the best service and with a lot of attention. So that's the relationship we have (SLB\_KAM).

Similarly to SLB, CTX sees its relationship with the carrier as being based on mutual understanding, an appreciation of each other's efforts, and an ability to negotiate a solution which can benefit both parties.

#### A.1.2.3. Actions undertaken by CTX and SLB

The companies are tied by contractual agreement and additional arrangements. The standard contract is complemented by a longer-term agreement regarding berth allocation and priority service MOUs (Memorandum of Understanding). The latter includes preferential treatment on berth window allocation and service handling arrangements in case of the carrier's late arrival. In addition, the companies are tied by equity relationships, since SLB has a share in CTX. Both companies also take turns in taking places on each other's board of directors.

There are several managerial levels involved in running relationships between SLB and CTX. SLB's branch vice president represents SLB to CTX, together with the junior operations manager in negotiations and day-to-day relationships. SLB is a relationship-oriented company and values high levels of attention and respect. This explains the involvement of

higher-ranking people in the relationship with CTX. This is also one of the reasons for the additional attention given to the company from the side of the commercial department of CTX. Therefore, one of the key aspects formulating the perception of SLB is personal relationships.

The companies run a number of joint projects together. These include service improvement, cooperating to serve the final customer, and organising promotional events together. Joint projects, however, are more focused on accommodating SLB's requests.

***Do you have any projects with this partner?***

Well, yes, the service development, sometimes they ask for special times ... so we make special efforts in [terms of] productivity. For example [if] their client request[s a] particular time and fast handling [of] some special product, in this case we may ... [work] jointly ... on planning their box handling (CTX\_SCM).

For example, SLB has a discount of 20% on the services of CTX, in return for longer-term commitment to particular monthly cargo volumes.

SLB also participated in the "green" initiative undertaken by CTX in collaboration with several other parties. SLB, being a "green" company, was interested in exploring opportunities for environmentally friendly means of transportation from factories to the terminal and vice versa. CTX, on its side, was running a project which involved setting up rail transportation from the terminal inland. This project required, firstly, investment; secondly, the support of government; and thirdly the support of the shipping lines and end users. CTX took the initiative to speak to the government, as the railway was supposed to be mainly owned by it, according to Chinese law. SLB was one of the key shipping lines which invested in the project by supporting the railway company. SLB was also one of the first shipping lines which switched from using trucks to transporting by rail. Within this project, SLB was also proactive in promoting the new service to its customers, the end users of CTX. Several promotional events targeting end users have been organised by SLB in support of the CTX railway project.

In addition to their main business and joint projects, SLB and CTX are tied by equity relationships, since SLB holds a share in CTX's business and both companies chair each other's board of directors in turns. For SLB, CTX is officially the preferred terminal.

From CTX's perspective, the amount of time and personal attention allocated to SLB is high. There are also different types of organisational gestures which the two companies exchange and that are intended to demonstrate respect to the partner. One example of this is that SLB named one of its mega-vessels after CTX, and made the ship's first port of call the CTX terminal. CTX also stressed the multilevel structure of relationships with SLB. This is similar to the structure of those with SLM. The difference lies in the greater shift towards personal multilevel relationships.

In terms of relationships we are close, but this is not only operation-wise ... we have very close relationships with sales people and also we have very good relationships between our top management and ... we know all the [people and] have regular contact with [their] operation[s] team of course, so I think, [in terms of communication], from the very top level to [the] lower level and from the regional level to the level of our parent companies ... I think overall we have very good relationships (SLB\_KAM).

### **A.1.3. Personal relationships**

The importance of personal relationships between SLB and CTX was found to be particularly high. According to CTX, SLB places the highest importance out of all customers on personal relationships. The senior commercial manager highlighted the importance of personally knowing all people who are in charge of operations and other activities related to terminal.

They put a lot of importance on relationships ... You [get] to know them, you [get] to know them personally ... That's why we have an account manager looking after them and senior people, including myself, looking after them (CTX\_SCM).

SLB, in fact, can be said to enjoy building personal relationships and perceives this to be part of a true partnership. Also, SLB highlighted that the personal relationships it has with CTX are the closest out of all the relationships it has with the terminal operators it deals with. The historical relationship was mentioned to be one of the reasons for this. SLB feels that, due to their history, CTX knows their organisation and directions well.

In partnerships we need some interaction, communication and even entertainment to enhance it ... this is a similar explanation: even [though] we have a strong partnership, without anybody taking care [of it] how we can guarantee that it will last longer ... in

order to build a partnership ... I can say the same: we have a regular customer or service provider, they make a lot of contribution[s] to the company but if we don't care and if we don't communicate frequently and we don't know what ... they [are] doing and what happened ... later they say 'I'd like to do this', but nobody [knew] about [it], so there is going to be a problem ... [this] means that ... more interactive person-to-person communication is the basic factor (SLB\_BVP)

Personal relationships were found to be particularly important for general understanding between companies. As suggested by SLB, personal contacts help with "closer" interaction. The company also feels that with personal relationships being strong, it has more opportunities to receive additional benefits, like discounts or a better package of service. Also, at the senior level managers from SLB highly appreciate "personal favours". It was also mentioned by the CEO of CTX that the CEO of SLB once asked for a personal favour, which, although personal, was taken seriously.

Personal relationships [are] also ... important; if it is only company-to-company it is more an official deal, but if we have a close personal relationship maybe with CTX['s] top management, maybe we can have some special deal and maybe we can understand how they can provide a better deal and what they really want from SLB ... so we can have a closer negotiation and [more] agreement (SLB\_BVP).

Personal relationships were found to help with information sharing between the companies, in terms of negotiation and resolving problems. Also, personal relationships make it easier to get the partner's support at an organisational level, compared to when personal relationships are weak. It occurred to the researcher that additional emphasis was put on issues of help and support as the research, as mentioned before, took place during the financial slowdown.

Sometimes you know we cannot ... progress our negotiations and discussions, so at these times we can talk ... and personal relationships can help. Also, when I need help [then] based on our relationships we can help each other, because sometimes I need their help and sometimes they need my help and under this situation personal relationships can help (SLB\_BVP, 2009).

Thirdly, personal relationships between CTX and SLB were also found to be particularly important for networking. As mentioned by CTX's CEO in an informal conversation which



took place during data collection, this company tends to bring CTX managers every time it welcomes “VIPs”, like government officers or senior people from their alliance partners.

The importance of personal relationships to SLB also makes the company place the most significance on personal trust rather than organisational trust. Even though the respondent mentioned the importance of company-to-company understanding, and stressed that organisational needs come first, it occurred to the researcher that without personal relationships there would be less understanding of common organisational needs.

Personal relationships are seen by CTX as very important in this partnership. The account manager for SLB mentioned the importance of “chemistry” between the customer and supplier. The reason for this given by the manager is very similar to the reason given by SLB. This is a better understanding and “appreciation” of the efforts each party puts into the relationship.

In particular, personal relationships were said to help in negotiations and planning for the future.

For CTX’s senior manager, the feeling about personal relationships is slightly different. From the interview, it appears that the company is more accommodating of SLB’s “need” for close personal relationships, than sees them in exactly the same way. Moreover, as mentioned by CTX this customer likes feeling special and appreciated for the business it brings to the terminal. Therefore, one of the “tasks” of the account manager is actually socialising formally and informally with the representative of SLB.

#### **A.1.4. Relationship strength**

These relationships are felt as being strong and based on mutual trust and commitment. In particular, personal trust contributes to organisational trust. Personal trust is said to be important as the industry is very concentrated in terms of actors and therefore specialists. It is common for a person who has been working in a shipping line company to change jobs and begin working for a freight forwarding company. This creates opportunities to work with the same parties as before, but in a different role. Therefore, if there is a breach in trust at some point in time, this can have further consequences later on and the person will have a ruined reputation in the industry.

Personal trust is very important. In [an] industry like shipping you try to keep good relationships, because people know each other. So if I break trust once other people will know and how they will trust me? (SLB\_BVP) .

In contrast to relationships CTX has with some of its other customers, this partnership is not “superficial”, and operates on the basis of mutual interest where each party puts in effort to find a compromise.

Some relationships are very superficial and some relationships are not ... [in] some there are no [real] relationships, meaning that [the] trust level is very low, we [are] only involved [in] negotiations, trying to [look after] our [own] interest[s], and this is not always a win-win situation. But in [the] case of SLB, I would say that the trust level is very, very high and we have a very close relationship and we understand each other very well, so we always try to [do our] best for them. I also understand their position and they understand mine, so we really try to reach the best solution where we both can benefit and grow. This is quite different from other [relationships], because others ... don't care about me and I sometimes don't really care about them, because even if I try and offer something, they will not appreciate [it] (SLB\_KAM).

Partners perceive their relationships as being interdependent, which is based on the nature of the industry and joint projects run together. Interdependence is seen as a positive factor, which stimulates business development and excellence in terms of service provision for the end user.

There is also another kind of dependency found in this relationship – dependence of SLB on other alliance members. The direct effect of this is a limitation of the ability of SLB to share information with CTX at an early stage. However, in this particular case the alliance influence is less of a problem than for other carriers, as one of the members of the alliance is the biggest Chinese shipping line, which has also a partnership with CTX, as well as SLE. Therefore, with three companies out of four being partners with CTX, the individual relationships between them and CTX are less complicated as, for example, in the case of SLO, which is in the same alliance as SLK.

If we have some new service or stop a certain service, I think it [severely] affects [the] terminal operator ... So we try to inform CTX ... But we cannot say too early, because we usually are working with [our] alliance ... so other members might disagree. But this

is not something [that is] difficult to understand, and also our alliance partners call at CTX too, so we share information with them quite often (SLB\_BVP).

#### **A.1.5. Conclusion**

SLB is one of the best partners of CTX. Not only does this company bring 70% of its cargo to CTX, but it also supports the terminal's developments, like its "green" initiative and railway. It also invests in the company and values the personal relationships developed with CTX's managers.

## Appendix 10. Perception of relationships in CTX-customer dyads

Dyad	Buyer	Seller
CTX-SLM	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	I think that our view of CTX is that they are a long term service provider for us out of SEZ-1. The services they offer are far superior to any of the other ports that we had opportunities to work with in [the region]. So they have been a huge partner for us (SLM_OM).	With them the relationships have been very close: number one, as a co-developer, a shareholder and a customer (CTX_CEO).
	<i>Perceptions of relationships</i>	
	Partnership	Partnership
CTX-SLA	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	<p>They are one of the main terminals we use in SEZ-1 ...and also we see that we will use them more in the future. They are one of our main strategic partners in SEZ-1 market...</p> <p><b>What do you mean by strategic partner?</b></p> <p>Sharing the same visions in developing and expanding our business in SEZ-1, [and] also SLA's group and [CTX's parent] group have some joint ventures ... in other parts of the world (SLA_DGM).</p>	This shipping line has a very close partnership with our company. They are even shareholders of our company ... not here, but at the group level ... So this is not just [a] vendor-customer relationship (SLA_KAM).
	<i>Perceptions of relationships</i>	
	Partnership	Partnership
CTX-SLB	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	My opinion on relationships with the ports, talking about CTX parent group and CTX, [is that] we are co-worker[s]; even [though] we are buying their service also we need their help. Of course, in some business it depends on [the] supply and demand balance. But sometimes we need their support and they need our support, so it is based on some mutual understanding and partnership (SLB_BVP).	The reason why I say that we are partners is that ... many companies are using terminal operators ... and in SEZ-1 there are several operators, like CTV, CTW, CTL, so in terms of loyalty to CTX, they are the highest among all the shipping carriers ... out of 100 boxes handled in SEZ-1, 95 are handled [by] CTX. They are very, very loyal to us and because of their loyalty we also try to provide them with the best service and with a lot of attention (SLB_KAM).

	<i>Perceptions of relationships</i>	
	Partnership	Partnership
CTX-SLI	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	With them [CTX] we have a straightforward relationship between a stevedore and a shipping line plus a lot of experience, trust, quality of the service and advantages ... that we can get from them. As I mentioned, we do have some free storage, some discounts, feeders ... we ... have [also had] some other discounts through the years (SLI_MD).	We try to consider all customers as partners ... But honestly sometimes this is not quite possible. So with SLI I would say we are [at] the beginning of our partnership ... SLI is [a] good client and they [have] started implementing mega-vessels ... We also have good personal relationships with their management, so recently our communication has increased ... they are bringing more cargo, we are trying to help them ... So I see this as a good potential partnership (SLI_KAM).
	<i>Perceptions of relationships</i>	
	Professional relationship	Prospective partnership
CTX-SLP	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	SLP views terminals as a very important part of the supply chain which is servicing the end user.  The partnership between the two companies is seen by SLP as the developing one. The basis for its development is the mega-vessel trend, the changes in SLP services from Europe mainly to the US and the growing dominance of CTX in the region <sup>37</sup> .	With SLP it is like no matter how much we try, [at] the end of the day it's all about money ... you know ... we can give [our customers] a big, big discount and still they might have difficulties to come to CTX...  Cargo owners are migrating to the north, as the prices are cheaper there. This created additional opportunities for us, as we have a train going from CTX inland. This is one possibility to win companies like SLP in future (SLP_KAM).
	<i>Perceptions of relationships</i>	
	Partnership	Prospective partnership
CTX-SLK	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	I think at least for our company money we will still be [the] number one priority ... of course service will be the second, but this doesn't mean we want to ... we will sacrifice our service ... as long as you give us the minimum service or the service we ask for – that's the price we want to	We had a partnership before ... what happened was ... they were looking for a cheaper alternative, but without giving us the first right they left ... because obviously they chose another terminal. [...] I am saying that they broke our partnership [because even though in

<sup>37</sup> No direct quotation is available here, since the interview was not tape recorded.

	pay. [...] Each year we negotiate, it is [a] buyer-seller relationship, that means that if one day we are not happy with [CTX], their price ... we will divorce...(SLK_OM)	terms of] charges there are some differences, but at least they could have said: 'OK, I want to go there, can you match the rate they offer?' But we didn't have that chance '(CTX_SCM).
	<b>Perceptions of relationships</b>	
	Customer-vendor relationship	Ex-partnership; buyer-seller relationship
CTX-SLV	<b>How do you see the relationship of your company with CTX/this customer?</b>	
	<p>It's a well-built relationship, it is working very well, it is a partnership which on a day-to-day basis is alright...</p> <p>In SEZ-1 [our best partner is] CTV certainly...but [in] CTX parent company and CTX...we are seeing the best professionals[...], [who were] leading the show in terms of port developments and technique, software and so on... so in a way we are proud to be working with them...(SLV_OM)</p>	<p>SLQ is especially transaction oriented, as they are not as concerned about the development of the business ... SLV is not like this – they are long term, and think more about development ... let me give you an example: SLV is more interested in the rail development ... than SLQ, so at one point in time we talked together [about] how we [would] work on the rail development ... and of course they are thinking of how they will work inland to deliver to [province name], [another province name] and so on (CTX_SCM).</p>
	<b>Perceptions of relationships</b>	
	Well-built relationship	Prospective partnership
CTX-SLO	<b>How do you see the relationship of your company with CTX/this customer?</b>	
	<p>Here in SLO we put high emphasis on long-term partnership... and CTX is one of our main partners... Once you have made a deal, and you are committed to it then you should stick to it. Not just change for anybody, who is offering I don't know ... one dollar less ... that's what I mean [by] loyalty ... especially for a Japanese company, which is really [loyal on a] long-term basis (SLO_OM).</p>	<p>With SLO we have very close relationships [at] the headquarters level; they are a part of the SLO group and we have a lot of relationships with[in] the group, so we have pretty strong relationships ... as a user, they have been a part of the alliance we are working with (SLO_KAM).</p>
	<b>Perceptions of relationships</b>	
	Partnership	Partnership
CTX-SLE	<b>How do you see the relationship of your company with CTX/this customer?</b>	
	<p>The relationship between [a] shipping line and a port is a partnership ... because the service provided by the port to us is then delivered to [the] ultimate customers, so if customers are not</p>	<p>They are Japanese, so they take long time to make decisions...to come to us...that's culture related thing...but when they decided to use CTX, I don't think that they will go away...</p>

	happy or not satisfied with our service [or the] port[’s] service, then it becomes a service failure (SLE_SM).	I think they have a commitment with us. They have a volume commitment with us, they guarantee a particular volume. What is important to us, at least I know the volume so I can lower our cost for them. They have very good rates (SLE_KAM).
	<b>Perceptions of relationships</b>	
	Partnership	Partnership
CTX-EUH	<b>How do you see the relationship of your company with CTX/this customer?</b>	
	I think it’s two groups mutually pursuing excellence – a shipper, a customer, and our logistics partner in this case – CTX. [...] So these are two organisations with [a] mutual need and mutual desire for excellence ... and that’s really what it is. Because [at] the end of the day there are lot of guys who can ship our containers, this is not ... magic. What really makes a difference again [is] when you’ve got people you can go to and you can work together to solve your unique specific problems and work on cost savings initiatives, the help that we have got with them in terms of dealing with the government issues ... again the railroad, the net we have got with them. So mutual need, mutual pursuit of excellence (EUH_President).	To be a good partner ... I would say ... you have to have a vision for [the] future business you do...  EUH is going to do business in the next five years in China ... so from their point of view they should understand in the next [few] years how CTX is going to position themselves ... so both companies have to have a strategic point of view ...(CTX_HCSD).
	<b>Perceptions of relationships</b>	
	Partnership	Partnership
CTX-EUU	<b>How do you see the relationship of your company with CTX/this customer?</b>	
	<p>CTX is very strong here, probably stronger than any other terminal. They have very good facilities and also they have many connections ...</p> <p>It is easier to sell their terminal, especially to customers from the US ... CTX as [an] organisation is very flexible and surprisingly ... fast in [m]aking a decision ... Customers are looking for savings, so with CTX we know that [as long as] there is no disaster, there will be no delays (EUU_GM).</p>	As has been mentioned earlier, CTX perceives EUU as an important customer, but less close than EUD and EUH in terms of relationships.

	<i>Perceptions of relationships</i>	
	Partnership	Prospective partnership
CTX-EUD	<i>How do you see the relationship of your company with CTX/this customer?</i>	
	Our relationship with CTX is the longest [we have with any terminal], we have been here for you know 12 years roughly ... so the relationship [has] been going longer than with other ports ... so I think that we tend to use CTX as a premium port ... [we do use] other ports ... but [this] is more [based] on the cost initiative (EUD_GM).	With EUD we ... both have [a] common customer which is EUH ... they use EUD for their freight forwarding ... For example they use the railway ... but they also have a lot of shipments going to Germany, so they use EUD ... so we have very good relationships with EUD (CTX_MM).
	<i>Perceptions of relationships</i>	
	Partnership	Partnership



## Appendix 11. CTX Berths details

Phase	Berth number	Max Draft (meters)
I	1	13.2
	2	
	3	14.28
	4	
	5	
II	6	15.7
	7	
	8	
III	9	>16
	10	
	11	
	12	
	13	
	14	
	15	
	16	

*Source: Berths Allocation Presentation to foreign visitors, CTX, 2007*