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Renegotiation: the first step of business relationship repair

ABSTRACT

The purpose of this paper is to explore the sub-process of renegotiation as the first step of the process of repair in buyer-supplier relationships. We see renegotiation as communication that is needed to recover the damaged relationship bonds of attraction, trust and commitment. The examination of this sub process sheds more light on the dynamic nature of repairing relationships. The empirical setting for this research paper is Irish SME buyer-supplier relationships across manufacturing and services industries. The findings from critical incident technique suggest that renegotiation involves open communication in order to rebuild trust, exchange and commitment. In addition, the factors influencing renegotiation include; the timing and location of renegotiations, the presence of senior management in renegotiation, interpersonal relationships, and third party involvement. The study provides a greater understanding of the repair phenomenon through the examination of this sub process of renegotiation and the factors influencing it. Renegotiation is a crucial point in the process of repair as it increases the potential to continue repair.

INTRODUCTION

For some time, research (e.g. Baker, Faulkner & Fisher 1998, Davies and Prince 1999) has shown that long-term business relationships are, at times, vulnerable and in need of repair (e.g. Salo, Tähtinen, Ulkuniemi 2009) if they are profitable and worth continuing. As the dissolution of buyer-seller relationships has been the least studied aspect of relationship management (Dwyer et al, 1987), also little attention has been directed to 'repairing' relationships. This represents a considerable gap in the literature. Both buyers and sellers may act as the initiators of the ending (e.g. Holmlund & Hobbs 2009, Ryan & Tähtinen 2012), a

fact that stresses the importance of more knowledge for both parties. Buyer-supplier relationships are dynamic entities formed by two actors as a minimum. These actors are often responsible for the breakdown of the relationships but, more importantly are always responsible for the efforts to repair the elements of the relationships that have broken down.

So far, only a few attempts (e.g. Good & Evans, 2001; Vidal, Fenneteau & Paché, 2016) have been made to suggest strategies to tackle the vulnerable state of a business relationship or relationship unrest. One such strategy is relationship repair. The rare studies that aim to uncover relationship repair (e.g. Salo et al, 2009; Tähtinen et al, 2007) view it as a process, with several sub-processes consisting of different events and actions. However, the existing repair process models lack a focus on any particular sub-process within the sometimes very lengthy and uncertain repair process.

What potentially influences the most the success of the repair process is its beginning. This study focuses on the beginning of a repair process, a sub-stage we label as renegotiation. We argue that renegotiation acts as a key turning point in buyer-supplier relationships that otherwise may face dissolution (see Tähtinen, 2002; Lee, 1984). During the sub-process of renegotiation buyers and suppliers communicate their intentions and discuss the future of the relationship. After a relationship has broken down, trust, commitment and attraction have been damaged and therefore, renegotiation as communication is necessary to be able to agree on repair actions and re-establish new boundaries for future interactions (Ren & Gray, 2009; Jap & Anderson, 2007). The sub process of renegotiation can stop decline and help the relationship to continue and shape its future direction (Tähtinen & Vaaland, 2006; Lee, 1984) as it contributes to the opening of the repair process. Although the see that renegotiation is crucial starting point of the repair process, renegotiation may be a lengthy process that continues throughout the repair.

Vidal (2009) argues that it is important to study renegotiation that can stop the dissolution process and help to repair relationships. Yet, to date many studies neglect the role of renegotiation in repairing relationships, which leaves a significant imbalance in the literature (Salo et al, 2009; Dirks et al, 2009). Little is known regarding the dynamics of renegotiation process, but its success depends on both actors' willingness and motivation to communicate, take a positive attitude and participate (see Halinen & Tähtinen, 2002). In addition, the outcome and success of the renegotiation can be influenced by the interpersonal relationships, the degree of harmony, and the communication strategies adopted (Gassenheimer et al, 1998). Indeed, researchers need to examine the dynamics of renegotiation as it is required before any repair actions takes place (Johnsen & Lacoste, 2016; Halinen & Tähtinen, 2002).

This paper explores the sub process of renegotiation within the repair process of buyer-supplier relationships. The objectives are to 1) understand how buyers and suppliers communicate during renegotiations 2) to understand how buyers and suppliers attempt to rebuild trust, exchange and commitment and 3) to identify the factors that influence the course and success of the renegotiation.

The paper begins with a literature review on repairing buyer-supplier relationships. The methodology for the empirical study is then presented, followed by the findings. In the concluding sections, a discussion links findings to theory followed by recommendations, limitations and future directions for research.

THEORETICAL BACKGROUND

Repairing buyer-supplier relationships

Hirschman (1970) posited that relationships can be repaired, although he warned that a full recovery from a bad breakdown lags repair efforts. In essence relationship repair is a long-term project (Ping, 1999). In their model of triadic relationship restoration, Salo et al (2009) explore the changes in the atmosphere of the relationship. The relationship atmosphere and repair strategies are closely related where repair actions improve the atmosphere, which aid in the discussion and resolution of problems (Salo et al, 2009). The role of the actor is explored as their actions shape the direction of the process towards dissolution or repair. Their model includes three sub-processes; 1) voicing the concerns where the actors bring the issues out into the open, 2) analysing the relationship where there is a decision to either recover or end the relationship, and 3) normalizing the relationship where committed efforts are made and investments are made to recover the relationship (Salo et al, 2009). This model builds on the work of Tähtinen et al (2007), but neglects the role of renegotiation which is a crucial step in starting the process of repair. Other repair models include the analysis and understanding of attenuating factors (Tähtinen et al, 2007; Tähtinen and Vaaland, 2003) which tends to be at intra company levels as opposed to inter-company. Again this leaves a gap in the literature concerning renegotiation as communication, a key sub process needed to start the repair process.

In addition, the inter-organisational models of relationship repair propose that three dimensions are important when repairing relationships; open communication, trust and commitment as these encourage the motivation to repair a relationship (see Vaaland, 2004; Tähtinen, 2002; Hocutt, 1998; Morgan & Hunt, 1994). These dimensions must be rebuilt as part of the renegotiation sub process of repair (Salo et al, 2009). Actors have to be prepared for managing change as well as repairing the stability of the relationship (Vaaland, 2004). Consequently, if actors do not undertake renegotiation following such incidents and make decisions regarding the future of the relationship, dissolution is more likely (Hallen & Johanson, 2004).

Since studies on business relationship repair are rare, the terminology is emerging. In this study those relationships that are facing dissolution are presented as problematic relationships, and the sub process that aims to commence the repair process is called the sub process of renegotiation. In this study, a business relationship repair is defined as renegotiations and committed actions through which the atmosphere (attraction, trust and commitment), interactions, and exchange, disrupted after critical incidents, are strengthened or rebuilt. We separate the elements of the relationship atmosphere (attraction, trust and commitment) from the sub process of renegotiation where renegotiation is defined as a communication activity at inter-company level in order to rebuild attraction, trust and commitment. This in turn encourages both actors to start and continue repairing their business relationships.

Renegotiation as communication

Tähtinen (2002) suggests that open communication, trust and commitment increase the chance of repairing buyer-supplier relationships. Indeed, renegotiation is a way of overcoming indifference in buyer-supplier interactions (Ren & Gray, 2009). Relationships cannot repair without the existence of bilateral communication of goals, issues and priorities as this improves coordination by realigning expectations (Steffel & Ellis, 2009; Anderson &

Weitz, 1992; Dwyer et al, 1987). Communication encourages trusting behaviour among actors (Anderson & Weitz, 1989) and helps in sharing goals and expectations as well as solving issues and disputes that arise (Aulakh, 1996; Moorman, Deshpande and Zaltman, 1993).

Moreover, the manner in which relationships facing dissolution are renegotiated has an impact on the continuation of the relationship post dispute (Mohr & Spekman, 1994). Open communications in joint problem solving, where parties are able to share their grievances, has a positive influence on the renegotiation process in relationship repair (Mohr & Spekman, 1994; Anderson & Narus, 1990). In contrast, aggressive behaviour and smoothing over problems does little to resolve issues in the long term and they tend to inflate the problems further (Mohr & Spekman, 1994).

Open communication is an important component of renegotiation during repair (Salo et al, 2009; Zhang, Griffith & Cavusgil, 2006; Bantham et al, 2003; Hibbard, Kumar and Stern, 2001). Indeed it has been argued that face-to-face communication helps shape the other companies interpretation of events (Goffman, 1971) as it is considered an active behaviour in response to dissatisfaction (Salo et al, 2009; Purinton et al, 2007). Until companies meet and face each other they will not know the real extent of the problems or indeed get to the root of such problems (Weick, 1988). Thus, open dialogues are used as a way of letting the other party know how they really feel about the breakdown of the relationship. Indeed these discussions also help actors explain and provide justifications for their actions (Ren & Gray, 2009). They allow actors to get accurate views of what happened and what their options are (Weick, 1988). Thus, bringing the company actors together provides a way of altering manager's expectations and helps create a shared understanding that helps the relationship to move forward (Weick et al, 2005).

When a relationship is in trouble, managers are searching for explanations that are appropriate to the issues, but at the same time they are trying to protect each other's self-esteem and the company's reputation (Weick, 1995). The use of face-to-face meetings is a way of restoring balance and involves creating new perceptions and beliefs regarding the B2B relationship or the reinforcement of existing beliefs (Weick, 1995). The rationale for this approach is to reduce negative effect, and to prevent problems from escalating any further (Dirks et al, 2009; Weick, 1998). When entering renegotiations, managers need to know their own expectations and goals but they also need to understand those of their suppliers or customers (Weick, 1995). This helps them agree on future exchange behaviour. Indeed for renegotiations to be successful, these views have to be expressed clearly and openly (Weick, 1995; Peterson, 1983).

Through bargaining and renegotiation at inter-company level, different perceptions are used to form a balanced view of the situation. These intercommunicative processes allow OMs to make adaptations to each other's values and in turn create positive outcomes for both companies (Mattila, 2001). Moreover actors attribute the cause of the trouble to themselves, their buyers or suppliers and in some cases the external network (Scheer & Stern, 1992). Taking these into consideration, different responses are undertaken when renegotiating the future of a relationship. During the course of renegotiations, if companies attribute blame to actors at a behavioural level they tend to respond in a destructive manner leading to further breakdown (Hibbard, Kumar & Stern, 2001). Whereas if attributions increase, they respond with a more constructive discussion with the intention of avoiding these issues in the future (Hibbard et al, 2001).

Factors influencing Renegotiation

The sub process of renegotiating relationships facing dissolution is influenced by *the state of the relationship* before the breakdown (Dirks et al, 2009; Halinen & Tähtinen, 2002). This is dependent on whether the existing relationship is close or arms-length. In close relationships that have developed bonds over repeated interactions, the commitment to the relationship is greater and therefore parties are more likely to remain in such relationships when difficulties arise (Ring & Van de Ven, 1994). In these cases, there are social-psychological motivations for continuing interactions because bonds of attraction, trust and commitment have been developed (Seabright, Leventhal & Fichman, 1989). On the other hand, arms-length relationships have low levels of commitment, a lack of mutual trust and an inability to establish roles and responsibilities for interactions. This contributes to the state of the relationship which has important implications for renegotiating trust, commitment and attraction when the relationship is facing dissolution (Hallen & Johanson, 2004; Heffernan & Poole, 2004).

In close relationships, actors are willing to use various communication activities to encourage cooperation and reduce tension (Dwyer et al, 1987). These activities can also lead to more efficient and effective ways of working (Anderson & Narus, 1990). However, renegotiation in arms-length relationships if not managed properly or is aggressive in nature, has lasting consequences on the relationship and repair is very difficult when issues go unresolved (Anderson & Weitz, 1992). Indeed, different renegotiation tactics are conducted on the basis of the state of the relationships (Matila et al, 2002). Buyer-suppliers in close relationships prefer to use productive problem solving approaches as they understand their mutual interdependence (Mohr & Spekman, 1994). These strategies bring issues and grievances out into the open, increase interdependence and cultivate a win-win solution for both companies (Gundlack & Cadotte, 1994).

Tähtinen's dissolution model (2002) suggests decisions and activities that could restore the relationship (reorganising, group discussions, extended deadlines, adaptations, personnel changes, establishing a resolution group). However, as that particular study shows, whilst these were undertaken, the studied relationship still ended. This may indicate that the conduct of those activities was unsuccessful, but also that the activities came too late in the dissolution process. Thus, we suggest that the *timing of renegotiation* activities also influences how the sub-process continues.

With this pre-understanding we turn into the empirical part of the paper, with the aim of modelling the renegotiation process, its actions and influencing factors.

METHODOLOGY

This study explores the process of renegotiating buyer-supplier relationships during the repair of their B2B relationships facing dissolution. In terms of ontology this study shares the view that the social world implies that B2B relationships change as a result of mutual adjustment through human interaction. A phenomenological approach was therefore adopted to understand the process from the actors own experiences and their own perspective (Edvardsson, 1992).

The researchers noted that SME OM's were influential decision makers involved in managing relationships facing dissolution, so they were critical in the process of identifying and describing their experiences of renegotiating such relationships (Tähtinen et al, 2007). SME OM/ directors were therefore selected purposefully (Patton, 1990) for data collection. A criterion sampling strategy (Miles & Huberman, 1994) was applied. We sought to study those

SMEs that (a) were more than five years in operation, (b) had experiences of B2B relationships that were facing dissolution but the relationship was repaired and also experiences of relationships that dissolved (following Tähtinen et al, 2007), (c) were B2B SME operators in Ireland because as far as the authors are aware no such study had been undertaken previously in this market.

Using a pre-established regional SME database, the participant selection process involved sending SMEs an introductory email in order to explain the study under investigation. The email asked if these SMEs had experienced relationship repairs or dissolutions and if, would they be willing to participate in this study. Of those with experience, only some companies were unwilling to participate due to the sensitivity of the subject matter. The final sample is summarized in Table 1 and consists of SMEs in a variety of industries such as consumer electronics, software, safety equipment, security services, HR consulting, clothing, industrial machinery, telecommunications, printing, training, healthcare and transport.

Table 1 Summary description of participating SMEs, interview schedule and Critical incidents

OM	Participant role	SME Industry	Years in business	No. of Critical incidents	CI impact: D-dissolve R -repair	Duration (minutes)
1	Managing Director	Security Services <i>Winners of B2B awards</i>	10	3	R,D,R	60
2/ 3/ 4	Sales Director European Sales Manager Sales Manager	Consumer Electronics	35	6	R,R,D, R,D,R	55 70 60
5	Managing Director	Insulation Services	6	1	D	60
6	Managing Director	Clothing Manufacturer	30	3	R,R,D	80
7	Managing Director Chief Technical Officer	Software	7	2	R,R	70
8	Managing Director	Software	6	1	R	60
9	Managing Director	Electronics	7	1	D	50
10	Managing Director	Software Service	8	2	R,D	60
11	HR Consultant	Merchant Services	20	2	R,D	50
12	Director	Security Services	7	2	R,D	75
13	Managing Director	Homeware Manufacturer	20	2	R,D	56
14	Store Manager	Health Services	15	2	D,D	45
15	Managing Director	HR Services	5	2	D,R	60
16	Managing Director	HR Services	13	1	D	45
17	Managing Director	HR Services	8	1	R	60
18	Managing Director	Software	19	2	R,R	75
19	Managing Director	Software and Hardware Services	13	3	R,R,D	90
20	Managing Director	On-line Solution Provider	6	3	R,D,D	60
21	Managing Director	Industrial Equipment	12	2	R,R	60
22	Managing Director	Software	7	2	R,D	60
23	Managing Director	Print	15	2	D,R	60
24	Commercial Director	Transport	16	3	R,D,R	90
25	Managing Director	Training Provider	9	3	D,R,R	55
		Total:		51		1566

The main source of primary data was twenty five in-depth face-to-face interviews held with OM's and senior directors of SMEs across a variety of industries. Interviews were between 60 and 90 minutes duration, with 1566 minutes (26 hours) of interview data collected in total. Each interview was audiotaped and transcribed. Interviews were conducted on site (at the OM's workplace) in order to get close to the respondents, thereby seeking to understand what happened and interpret the phenomena from the meanings OM's brought to them (Collis & Hussey, 2007; Tähtinen et al, 2007; Denzin & Lincoln, 2005; Edvardsson, 1992).

In order to understand the dynamic renegotiation process in B2B relationships facing dissolution, we applied the critical incident technique (CIT). Schurr (2007) suggests that CIT is appropriate for B2B settings and indeed it has been used in that context (see e.g. van Doorn & Verhoef, 2008; Friman et al, 2002; Holmlund-Rytkönen & Strandvik, 1999). A critical incident (CI) is defined as a trigger event (Gnyawali & Stewart, 2003; Keaveney, 1995) that created change in the B2B relationships (Friman et al, 2002; Halinen et al, 1999). CIT helps to identify the incidents that can cause effective or ineffective outcomes for the business relationship (Schurr, 2007, p. 167). When used qualitatively CIT provides data related to discussions with the respondents which allows researchers to categorise data on the accounts provided (Chell & Pittaway, 1998).

During the interviews, the respondents were asked to describe their experiences. Interviewees were asked to recollect and reflect on a critical incident (CI) that created an impetus for change in a B2B relationship (Flanagan, 1954). This left us the flexibility to explore topics that arose as the OM's/ directors recounted their experiences. Through applying the CIT we sought to engage interviewees in the retrospective renegotiation of their B2B relationships facing dissolution. Criteria for the incidents used in the study included;

- 1) The SME OM or senior director had a direct relationship with the company and had direct experiences with the incidents under investigation.
- 2) The interviewee had enough incident detail so that the process of renegotiation could be understood sufficiently.
- 3) The incident had to be unfavourable thereby leading the business relationship to the possibility of dissolution (Walter, Edvardsson & Öström, 2010).

In total, we gathered data relating to 51 CIs, each providing a narrative where the meaning, understanding and context of the OM's accounts of their experiences were the focus (Walter et al, 2010). In addition to the in-depth interviews, the main author kept a reflective journal (as suggested by Hirschman, 1986; Lincoln & Guba, 1985) specifically reporting pictures, ideas and reflections of the phenomenon under investigation and thus providing a log of thoughts on the process of renegotiating the SMEs B2B relationships (Hirschman, 1986).

CIT provided a rich set of data to help understand these evaluation processes as the respondents were able to detail first hand their experiences which gave the researchers powerful insights regarding the phenomenon (Gremier, 2004). Once the interviews were transcribed, handwritten field notes and relevant reflective journal entries were transferred into the analysed text within NVivo and used to draw conclusions (Miles & Huberman, 1994). Thus, the level of analysis included not only dyad related incidents but also individual/ company and external/ network incidents that caused disruption to the relationship. Through the process of abduction, key categories and sub categories were created. The main categories for analysis were taken from key theoretical models and inductive interpretation from the

reported incidents (Strauss, 1987). This provided greater familiarisation with all the critical incidents while at the same time facilitating reflection and analytical insight about what happened following the incidents that were recounted by the interviewees (Gibson & Brown, 2009; Miles & Huberman, 1994).

A key element of naturalistic inquiry is the ability to add new subjects as the need arises. There were several categories at the beginning of the data analysis (see Table 2), as each transcript was reviewed to the end; however, there was a point when the rate of new categories declined and eventually ceased. Over time, codes, themes and patterns began to stabilize and there was a sense that new information was beginning to become saturated (Eisenhardt, 1989), at which point we ceased data collection. Data was carefully scrutinised through the use of coding which involved analysing the content of the transcribed interviews (Strauss, 1987). The code assigned resulted from key words used by the respondents during the interview and in liaison with the B2B dissolution literature (Gibson & Brown, 2009). Each unit of text was coded according to the source, SME, date, label, etc., thereby allowing the researchers to retrieve data throughout the analysis. If further codes arose, the researchers went back over previous transcripts to reanalyse the data.

FINDINGS: RENEGOTIATION OF THE RELATIONSHIP

A framework is presented that models the sub process of renegotiation. In it we separate the elements of the relationship from the activities and influencing factors. Renegotiation is presented as communication activities that are needed to rebuild attraction, trust and commitment. Renegotiation as communication is influenced by the state of the relationship, senior management involvement, the timing of renegotiation, interpersonal relationships and third party involvement. The output of this sub process is a decision to continue the repair process or to dissolve the relationship. The empirical findings will now be presented.

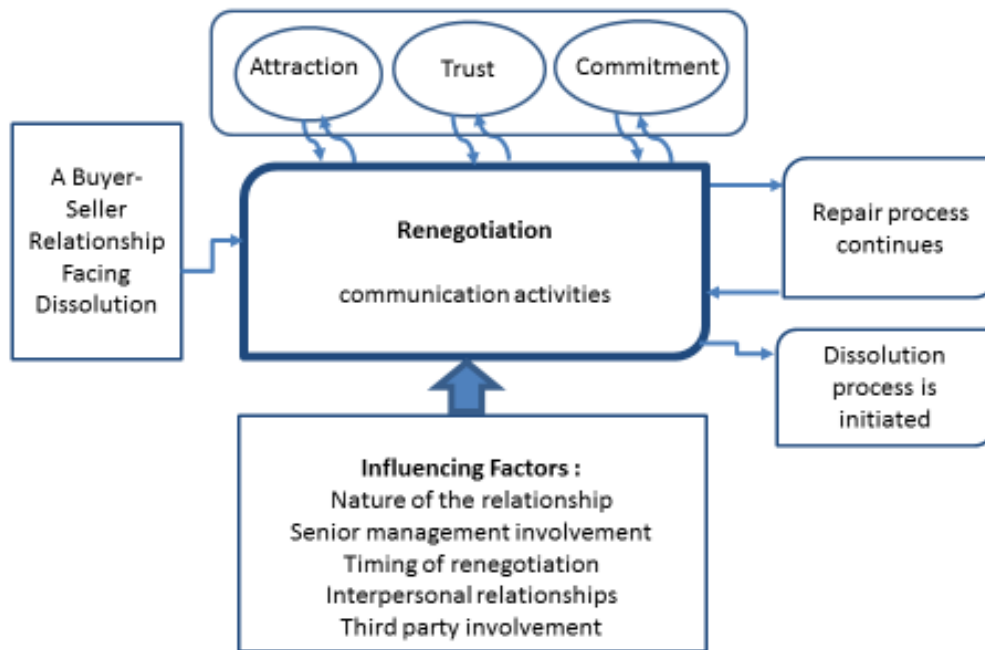


Figure 1 Renegotiation in a buyer-seller relationships repair process

The communication activities of renegotiation

The analysis of the findings highlighted numerous examples of situations where the renegotiation process started with face-to-face discussions. These discussions were a useful platform to highlight the real reason behind the breakdown;

We ultimately went in at several face-to-face meetings with them...and we evolved with them to the point that they were able to explain to us that these were the problems we have in terms of our business and when you get past the point where someone is willing to be more open about the specifics of their organisation, the issues that they have ... you have a better handle on exactly where you stand (OM, Consumer Electronics SME).

A key finding was that face-to-face renegotiations were a vital platform to establish reactions to relationship breakdown. Decisions OMs had already made regarding the best way to repair relationships sometimes changed during these renegotiations because they had underestimated how dissatisfied their customer or supplier was;

I think sometimes face-to-face is, is invaluable ... if I am trying to resolve it, I just need to see the interaction, their reaction to everything I am saying to see, do. I have to go this way now or that ... with all your best intentions going in, you might say, "I'm willing to go as far as here to resolve it", but straight away you might realise, "God, I have totally underestimated where they are coming from. I need to back up a bit." (OM, Software SME).

The OMs believed that the use of open face-to-face communications was more appropriate than written communications during this part of the process;

I know in one case before, I was about to hit an email and I saved it in my drafts and actually went onsite and...got to a kind of a happy resolution (OM, Software SME D).

Relationship challenges could be negotiated much better in face-to-face scenarios because OMs could listen, take stock and then react whereas written communications were taken out of context;

The emails are the worst thing in the world because they are taken out of context, there is no emotion attached to them, you know, you can't see the whites of somebody's eyes and I think, you know, probably things exacerbate when it's all done electronically rather than, "Let's get around a table, let's see if we can sort this out" (OM, Hardware Services SME).

Even though these face-to-face renegotiations were difficult and tough in problematic relationships, the SME needed to be able to withstand them because it was far better to endure hard renegotiations and bargaining rather than prolonged disputes and OMs were more willing to agree to repair in these situations;

You know, you would still get people who are bloody tough negotiators and you know, won't budge an inch and all that type of thing and, and all that, but generally people will, will compromise if you're allowed to talk to them. (OM, Services SME).

During the course of these renegotiations OMs pointed out that they had to be mindful of the situation but at the same time they also had to communicate openly concerning issues that could potentially threaten the future of the relationship;

We were upfront ... about it, you know, and when you're dealing with the people in the conflict, you just have to be so careful, you know, that one, if you say anything that really gets their back up ... these things can get fairly heated at times, you know, but you have to be fairly clear and concise about what your position is and where you are coming from (OM, Software and Hardware Services SME).

Some of these issues were difficult to discuss such as agreements concerning commercial arrangements. However OMs took the view that they needed to tell their customers how they felt about the situation as they did not want to prolong the tension;

...and, you know, while nobody really wants to mention the money side of it, you have to mention the money side of it as well to say, "There is a cost implication for this", etcetera, you know, and when you throw it out there, you are going to get a reaction and it might be, "We're not paying for this", you know? So, but it has to be addressed, you know, if you don't ... as part of the solution, bring in the commercial side of it as well as the technical side, it's going to ... it's going to go on for years and we do have this one, which is going on for two years, you know? (OM, Industrial Machinery SME).

Once trust was damaged, rebuilding it through the renegotiation process took time and involved a considerable amount of effort on the part of the OMs. They had to demonstrate that they were willing to adapt and make the necessary adjustments to keep the relationship. Sometimes it took several months to get to a stage where they were able to communicate effectively. However once the OM took responsibility they found they were able to fix the problems eventually;

Over the period of six months, I suppose we eventually started to get a bit more comfortable with her again and vice-versa, so that's, I think, that's I guess an example of where we just had to talk to her and be really honest and say, "Look, we made a mess here. There was, it's our fault, and we will try

our best to rectify it” but I guess it’s difficult at that point, when people are going out on a limb with a smaller company and they were a big, big company, you know...you can’t afford to make these mistakes (OM, Software SME).

In summary, the importance of this part of the process of repair was highlighted by one OM;

In terms of resolution, the only thing that can resolve is good communication, acceptance that there is an issue, acknowledgement of what the needs are on both sides of the partnership, and the deliverance of both parties on those needs, and as I said, our greatest frustration is that, is there an acknowledgement of what our needs are (OM, Clothing Manufacturer SME).

Putting in such efforts were important to the process and OMs needed to create an atmosphere where appropriate decisions were made to repair relations. This involved the engagement of people who were empowered to make decisions.

Factors influencing renegotiation

The nature of the relationship

The findings from this study revealed that the nature of buyer-suppliers prior to the breakdown had an effect on the repair process. Close relationships had good communication flows between the companies before the break down and offered a sense of commitment between the parties;

It’s a fantastic and a very good relationship, and we have always had a very good relationship for the past 7, 8 years, so we can’t complain. It was mainly just because of our good relationship with the supplier and I suppose because of our open communication with them that ... we pulled through and we spoke to them (OM, Security Services SME).

In close relationships actors put in efforts to renegotiate via open, honest communication;

It’s really communication, ... it’s really just talking and being open, and there is so much, I suppose, smoke and mirrors that it’s just being honest and being upfront with them (OM, Security Services SME).

However, in arms-length relationships rather than renegotiating in a professional manner, aggressive and threatening behaviour was displayed. In what should have been a forum to address business issues, the meeting ended very badly with one company feeling severely let down;

The director went on the defensive and he was nasty now, he was not nice at all, and he kept saying to me, “Well, you know, if you lose this girl off of your account ... you are really not going to get the service that you require” and I said, “I think you don’t understand me. I don’t want her on the account. In fact I don’t want you guys working for us anymore because number 1, you’re actually risking our reputation by the message you are sending out there” ... and secondly his own behaviour that particular day was just not acceptable from a director and I just thought, “you’re not going to change because the ethos in your company is embedded” (Manager, Services SME).

Finally, the importance of close relationships was stressed by the OMs as a way of helping the repair process now and in the future. As this OM noted it was much harder to repair issues if there was little or no relationship between the organisations and that regular contact was vital for interactions if the relationship was to stand a chance of survival in renegotiations;

I think any issues and problem resolution will always be a difficulty if you have no relationship there. If you have got a relationship that you keep, keep, you know, keep touching base with the customer at all times, it's hard in a retail business but if you keep, keep interacting with a customer, those, that relationship means that the conversation, that when there is a problem, is much easier to have and it's much easier to resolve (OM, Consumer Electronics SME).

Senior Management Involvement

Meetings were often attended by senior people from both organisations and individuals are able to communicate more openly about the changes in their organisation, which allowed OMs to assess the situation and to make better decisions regarding the best course of action to take to renegotiate the future of the relationship;

...and the other thing with it was...that we would have engaged the principals of both organisations so it wasn't something I could resolve myself. I needed to do it in conjunction with our CEO and the other party to it, it was the CEO of that company anyway but ultimately I couldn't be the go-between (Sales Director, Manufacturer SME).

OMs made a point of being the lead contact because they felt that it was essential that they had someone that they could trust to take responsibility for issues and to make final decisions;

It would be mainly the salesperson and I would also deal with the managing director there I suppose. I wouldn't deal personally with the accounts ladies and gents and all there ... because our accounts department would liaise with them but I would personally deal with all suppliers ... because it's important that they have a link to whoever at the end of the day is going to carry the can for everything, you know what I mean, and make the decisions (OM, Security Services SME).

Sending people who were not close to the relationship compounded issues if renegotiations were difficult as they didn't have the power to make the final decision. In addition, involving other individuals within the organisation could make matters worse as they understood the relationship on an operational level as opposed to a relationship level and were reluctant to adapt to their customer's needs;

If I had an issue with a company and an engineer contacted me about that issue, I wouldn't be very happy because the engineer isn't involved in it. It's been basically passed down the line to the engineer to deal with, and he can't deal with it properly. He's probably not armed with the proper tools to deal with it ... I think it's important for people ... who, I suppose, that are involved in the decision-making to talk, and that's, that's really where I'm coming from (OM, Services SME).

In essence, this finding demonstrated the need to remove barriers from the breakdown recovery and set aside any issues during renegotiations so that companies could react with a more considered, appropriate approach. An example was provided by one OM who made the decision in the end to contact the counterpart OM directly in order to solve the issues they were having at an operational level;

He was going back to the OM of the company, so at one point I picked up the phone and I rang the OM and I said, "Look, I'm dealing with your financial

director,” I said, “But I think we’re missing something here and I wanted to explain to you why we are doing this or how we are doing this”... It sometimes can make the situation very, very inflamed, and the guy who was managing that on their side is not the same guy who has the first influence on their side... that kind of disconnect can happen and it can be very, very serious (OM, Software SME).

The timing of renegotiation

The timing of such activities also proved important. Being able to renegotiate soon after the breakdown was considered important as the process of repair could not progress or issues could not be resolved if repair was not implemented early;

... and I turned around and I drove, and I walked into his office, and then I said to him, “Right, show me the problem” and he showed me the problem and he told me how his world was falling apart and we were the sole responsibility of it and everything, and I said to him, “Right, whatever you have got, we will replace it free of charge”, you know, “How much of this do you need, and this is what we can give you” and from then on, we have had no problem, he thinks we are the greatest company (Sales Manager, Consumer Electronics SME).

Organising these interactions early on in the dissolution process allowed the SME to show their commitment to the future of the B2B relationship.

Impact of Interpersonal relationships

These renegotiations were clearly aided by the existence of interpersonal relationships on both sides. When renegotiations became difficult with other members of the firm, it was easier to resolve issues if OMs had a good interpersonal relationship with their counterpart. OMs were able to call their counterpart and issues were repaired much faster without escalating any further;

This again tells you the highest level sorted it out, I then rang the OM of that integrator and I said, “Do you know what your service manager is threatening to charge us?” and he said, “No.” I explained it to him and he said, “Well, that’s not fair, is it?” and I said, “No, I didn’t think it was either” and he said, “Well, I’ll sort that out” (OM, Software and Hardware Services SME).

In bargaining and renegotiation situations, a developed interpersonal relationship allowed OMs to establish some common ground. Once a reasonable level of respect had been established between OMs, they were more willing to listen and resolve any issues;

Once you get a bit of common ground, you can talk about that and then they realise you’re actually not a bad person, you know and that, “Right, how are we going to sort this out?” and there is a bit of common ground there that you can get it sorted out (OM, Industrial Machinery SME).

The strength of these interpersonal relationships are illustrated further by the following experience where, even after a business relationship had broken down and interactions had

significantly reduced, the personal relationship between the OM's of both companies helped reignite it;

... and then we got a new business development director in the UK and one of the first things that he wanted to do was re-instate this particular company because he knew the Managing Director (Manager, Services SME).

Interpersonal relationships were also evident at different levels within the B2B relationship as both companies dealt with each other personally and operationally on a daily basis. These operational managers were unable to get involved in renegotiations, as they did not want to be perceived as stepping outside the boundaries of their roles within their organisation. While this was frustrating for OM's as they felt they should be involved, they understood the dynamics of the situation;

Because from my perspective, I thought the IT manager should have stepped in and ... I suppose it's awkward for them because they are the closest to us, they know most about the issue or know most about the problem but I suppose they can't be seen to be siding with an external vendor or, ahead of their own, you know, and a lot of people would back us in terms of, they would say, "Look," (OM, Software SME).

Having long-term interpersonal relationships allowed SMEs to pre-empt major conflict that could potentially arise in business interactions.

Network and third party involvement

The SME's network also had an effect on the renegotiation process as their influence determined how and when issues needed to be resolved. If a partner was underperforming for instance, the SME would try to get it resolved by getting other actors in the network to try and influence them;

We tried to put pressure on them through the Board or through other partners, so we meet them every, well, I suppose, we would only meet them two or three times a year (OM, Software SME).

In other examples the breakdown was so severe that the OM got a third party involved rather than enter renegotiations directly as there was a sense that the person involved would act aggressively;

Well, my councillor would have liaised with them because rather than inflaming the situation by me contacting the Owner Manager of the company because I knew he was the type of person that would just scream and shout ... I would have dealt with our accounts department and they would have dealt with his accounts department, and they liaised and came back and forth and it eventually came to a stage where we sent a letter saying, "Look it, as far as we're concerned, this is the situation. This is what we owe you. Here's a cheque for it, and as far as we are concerned, the matter is closed" and that was the end of the matter to be honest with you, but it's not where I like to see relationships go (OM, Services SME).

These renegotiations led to the agreement of a number of repair actions and hence the start of the repair process, which were then implemented by both companies in order to repair the relationship long term. Consequently the businesses were able to continue relations as opposed to dissolving the relationship and starting all over again with a new buyer or supplier;

We were in a better position ... to make a judgement call in terms of how much we were willing to support them, and that ensured that our relationship with them survived rather than fell off the side of the cliff and we had to start again (OM, Consumer Electronics SME).

DISCUSSION

An integral part of the renegotiation process was to change the perception of the offended actor because the process could not commence unless both actors were willing to repair the relationship (Ren & Gray, 2009). The findings suggested that engagement during the conflict led to more satisfactory outcomes between the companies (Lee, 1984; Peterson, 1983). OMs felt that the renegotiation process allowed them to focus on proactive responses to the issues facing the relationship and allowed OMs to show their identities to increase positive perceptions towards each other which proved important in repair (Ping, 1999; Rusbult, Johnson & Morrow, 1986). Even in tough renegotiations if buyer-suppliers got around the table, a compromise was reached (Lee, 1984).

Initially renegotiations involved discussions regarding the problems in the relationship and possible ways of sorting them out. Complaints were raised and the responses to these varied. Some renegotiations were affective dominated where one partner reacted negatively and in other cases, reactions were suppressed while partners were trying to understand the other company's feelings (Peterson, 1983). In the course of renegotiations, issues other than those immediately threatening the relationship were also exposed. For instance, OMs uncovered underlying issues they did not know existed before such as, previous or current employees who had been neglecting the relationship. SMEs who encountered severe behavioural issues in renegotiations could no longer support the relationship and thus dissolution proceeded. When contemplating the challenges of renegotiation, a number of key criteria arose in context, specifically; re-establishing trust, open communications and interpersonal relations in the pursuit of new norms.

The ability to listen to actor's issues and gaining an understanding of each business environment facilitated the renegotiation process (Salo et al, 2009). SMEs entered into several face to face meetings with their buyers-suppliers, some of which were held away from their respective premises in order to avoid disruption to renegotiations. This allowed both sides to reveal the real reasons for the breakdown and to express any issues they had. OMs were then able to decide the best course of action to take as they were in a better position to make a judgement call in terms of how much they were able to support the relationship in the future. Bringing company individuals together provided a way of altering each actor's expectations and helped to create a shared understanding of events (Weick et al, 2005). These actions provided the communication which people see and hear in order to discover what they think (Weick, 1995). Thus, the communication process undertaken by actors allowed them to make sense of events and circumstances that affected them (Weick, 2005).

Different renegotiation tactics were conducted and OMs noted that any actions to repair relationships would not halt dissolution unless the actors engaged in open communications and co-operation that enabled them to show their commitment to repair (Salo et al, 2009; Tähtinen & Vaaland, 2006) and verbal communication helped shape each actor's interpretation of these events (Goffman, 1971). Even though communication links had been disrupted, in order to initiate repair efforts, communication had to be revived, as a minimum. Open communication was considered an active behaviour in response to dissatisfaction and

was highly associated with attempting to regain trust in buyer-supplier interactions (Salo et al, 2009; Purinton et al, 2007).

The way in which the renegotiations were conducted was extremely important and relevant to repair because the reactions of OMs were different depending on the extent of the damage (Hirschman, 1970). Firstly actors needed enough time to respond before issues got more serious (Hirschman, 1970). Secondly, while some OMs were willing to engage, in other situations, OMs did not take matters seriously and compounded the issues even further: *“basically we were in a serious situation because we couldn’t service our customers”* (OM, Security Services SME).

Renegotiation was a means to overcoming indifference and repairing relationships (Ren & Gray, 2009). In some cases many issues had to be negotiated so the repair process was complex and involved discussions regarding possible trade-offs in reaching agreements on the most appropriate actions. Through the inter-communicative process, OMs were able to make adaptations to each other’s values and in turn created positive outcomes for both actors (Mattila, 2001).

OMs searched for explanations that were appropriate to the issues in the discussions that also preserved each actor’s self-esteem and reputation (Weick, 1995). OMs had to explain what had happened, to use the face-to-face meetings as a way of restoring balance: *“it needs to be face-to-face”* as *“a way of getting it into a positive meeting environment”*. This process involved creating new perceptions and beliefs regarding the relationships or reinforcement of beliefs that existed prior to the breakdown in the relationship. The rationale for this was to reduce negativity and to prevent problems from escalating during renegotiations (Dirks et al, 2009; Weick, 1998).

When the state of the relationship was affected and normal ways of working and interacting were interrupted, OMs agreed that they needed to change the current processes for interacting (Weick, 1995). To change processes, they had to know their own expectations and goals from the relationship as well as their buyer-supplier’s aspirations and goals for the future of the relationship. In order for renegotiations to be successful, these views had to be expressed clearly and openly (Peterson, 1983) which required an element of trust where each actor would acknowledge and be receptive to the issues at hand.

This showed that reciprocity, which is fundamental in social exchange, was present in these renegotiations. As expressed by OMs, if one actor was aggressive in meetings they felt they had to defend their position aggressively, even though they did not expect to before the meeting: *“he just started going on and on, and really speaking down to me, you know, and I suppose, well I, well I probably lost it a bit”* (OM, Transport Services, SME). In contrast, when the offending buyer-supplier was willing to accept responsibility openly the offended actor was more understanding and willing to participate in renegotiations.

Close B2B relationships responded more constructively to a breakdown as opposed to arms-length relationships (Lee, 1984). Renegotiations were driven by the goals and expectations of buyer-suppliers as the state of relationship trust pre the breakdown allowed OMs to evaluate each other’s intention and motives (Puranam & Vanneste, 2009). If trust existed, OMs were more likely to initiate problem solving in an amicable manner, as prior beliefs formed the basis of predictable future behaviour (Ring & Van de Ven, 1992; Anderson & Narus, 1990; Anderson & Weitz, 1989). In these renegotiations, OMs had to display trustworthy behaviour in order to change the buyer-supplier’s perception of the relationship and repair the levels of trust that had been affected (Puranam & Vanneste, 2009; Ring & Van de Ven, 1992;

Anderson & Weitz, 1989). Both actors had to be willing to continue the relationship as this helped to reconstruct trust. Notably, if there was mutual interest in the repair of the relationship, buyer-suppliers continued to interact during the crises (Matila et al, 2002). OMs who did not enter renegotiations at this early stage had clearly decided that they would be better off dissolving the relationship rather than continuing it.

OMs also recommended that one should renegotiate early on in the process so as to avoid issues escalating further. OMs did not know what they were facing until they faced it (Weick, 1988), but acknowledged that, *“you have to meet your problems head-on”*. It was only through renegotiations that they could find out the roots of the problems in the relationships, and ultimately *“take responsibility for the good things as well as the bad things”* (OM Software SME E). During these discussions the offending actors were able to provide justifications for their actions. This provided meaning when actors were confused as to what was going on and allowed them to get accurate views of what happened and what their options were (Weick, 1988).

In terms of the level of involvement in renegotiations, bargaining and negotiation occurred at a functional level to begin with. Then, when issues escalated, OMs entered renegotiations. Nevertheless, OMs pointed out that in important situations such as relationship repair, they preferred to get involved in the process. At a functional level, managers felt that by bringing their OMs to the table, emphasised to their customer-suppliers that they were willing to repair and were committed to the relationship. In some cases, actors just wanted to air their grievances so needed to be reassured that the relationship was considered important. This effort made a huge contribution to repair. Senior level renegotiations helped to repair the relationships in a timely manner as decisions were made quickly as opposed to intermediaries having to go back and forth all the time.

Renegotiations were curtailed when no interpersonal relationships existed between OMs and with individuals who are not familiar with the B2B relationship (Gedeon et al, 2009). Sending functional managers to resolve issues were also considered damaging because the offended actor felt that the issue was being passed down to someone who could not deal with it properly. However, that did not mean that functional managers were unimportant in repair, they had to be involved in the process with OMs which meant that the process involved: *“[making] sure everyone is in the room that needs to be there”* (OM, Software SME).

At a B2B level, actors were uncertain regarding their future and OMs did not know what course of action to take until they were in these renegotiations (Weick, 2005). While they felt they were prepared concerning the appropriate actions to take before renegotiations, they were surprised at how upset their buyer-supplier was. In these cases, OMs noticed irreconcilable points of view that required a response at senior level (Weick et al, 2005). Appropriate responses could only be made when actors were in face to face renegotiations because discussions led to the changes that had to be made in order to repair the damage. It was important that OMs agreed to these changes, because they had the capacity to make the decisions and commit to the changes needed. These renegotiations helped to ease tensions and search for ways to repair the relationship and restore trust and commitment which has been affected by the transgression (Ren & Gray, 2009).

In summary, through renegotiation at inter-company level, different perceptions were understood to form a balanced view of the situation. This renegotiation was a continuous process and changes were made as a result of understanding the actor's evaluations of the issues. To undertake repair, a level of trust had to be present (Salo et al, 2009). Therefore,

through the process of renegotiation, open communication and awareness of interpersonal relations, actors had to show that they were trustworthy and would deliver on expectations in the future once agreed through negotiations. Close relationships were more likely to keep their renegotiations on the cognitive issues and to keep the discussions focussed on the events that caused disruption. In contrast, arms-length relationships were more inclined to block renegotiations, get third parties involved or end up in legal battles.

CONCLUSIONS

As Ren & Gray (2009) contend “*effective repair involves the efforts of both parties and success involves assessing both individual and dyadic behaviour*” (Ren & Gray, 2009, p.116). A key finding from this research is that when buyer-supplier relationships are close and have established trust and commitment, the approach to renegotiation is more constructive where OMs engage in problem solving because they are confident that having reached agreement, interactions will be restored. This process is contingent upon the willingness of both partners to repair the relationship (Salo et al, 2009; Geyskens et al, 1996; Anderson & Weitz, 1989) and the need to restore balance (Ren & Gray, 2009). The renegotiation operates at both individual and dyadic level and highlights the importance of interaction in repair (Ren & Gray, 2009; Ring & Van de Ven, 1994). OMs are uncertain regarding future interactions because they have established the elements of the relationship that have broken down i.e. trust, affect and attraction (Dirks et al, 2009). Therefore, a renegotiation of the relationship is necessary to re-establish new boundaries for future interactions (Ren & Gray, 2009; Daft & Weick, 1984). An important finding from this study suggests that both buyers-suppliers have to meet face-to-face in these renegotiations because they need to take account of the issues most prominent in their buyer-supplier’s minds with regard to their desire to continue or dissolve the relationship (Dindia & Baxter, 1987; Duck, 1984). Moreover, during these renegotiations, actors will adapt and adjust their initial expectations for the meetings as they interact with each other and more information becomes available during the process (Weick, 1995; Ring & van de Ven, 1994).

A key conclusion from this research is that when B2B relationships have established trust and commitment, the approach to renegotiation is more constructive where OMs engage in problem solving because they are confident that having reached agreement, interactions will be restored (Puranam & Vanneste, 2009; Lee, 1984). When buyers-suppliers have developed an understanding of expected and accepted norms of behaviour, collaboration is facilitated (Buchel, 2000; Ring & Van de Ven, 1992). However, the renegotiations in arms-length relationships are different because trust and commitment is lacking. The research concludes that these renegotiations are behaviourally dominated at interpersonal and B2B levels (Ensley et al, 2002). Some relationships can dissolve amicably whereas others require third party involvement to settle disputes as tensions are extremely high where buyers-suppliers are unable to reach a settlement themselves through negotiations (Duck, 1984).

Important criteria identified in the study includes, the timing of negotiations and the degree of open communication as a foundation for this process to succeed (Salo et al, 2009; Zhang et al, 2006). The use of open communication is considered vital to repair as it allows OMs to get a clear understanding of the breakdown and how each individual and company feels about the issues facing the relationship (Salo et al, 2009). Indeed, offending buyers-suppliers can justify their actions thereby providing meaning in relation to the events (Weick, 1988). As a result, better decisions regarding the appropriate repair strategies as an outcome of the process can be achieved (Ring & Van de Ven, 1994).

Notably, the presence of OMs at these meetings is also considered important as actors are reassured of the commitment to the relationship, that the relationship is important and that there is long term orientation in B2B actions (Ping, 1999; Ganesan, 1994). Moreover, OMs are in a better position to make the final decisions on appropriate repair strategies, in the presence of their counterparts in the buyer-supplier organisation, which allows the process to proceed to action in a timely manner.

It is also important to note here that the existence of interpersonal relationships between OMs acts as a mediator and reduces conflict because psychological contracts and relational norms prohibit certain activities (Ring & Van de Ven, 1989). OMs are able to rely on their personal bonds and trust in the goodwill of their buyers-suppliers to act in the best interests of securing future relations and agreeing positive committed actions to repair B2B relations (Gedeon et al, 2009; Beloucif et al, 2006; Ulaga, 2003; Ring & Van de Ven, 1994).

It is argued in this paper that there is still a gap in the literature concerning the sub process of renegotiation. In closing this gap, the critical incidents in the studied SMEs provides practitioners with insights into the dynamic process of renegotiation that will enable OMs to save important relationships should they go wrong.

Theoretical Implications

This paper advances research on relationship repair in buyer-supplier relationships in a number of important aspects. First relationship breakdown is not an isolated event but plays a bigger role in preserving, disrupting and changing trust, commitment and attraction (Ren & Gray, 2009). This research closes a significant gap in the extant literature by examining the process of renegotiation in repairing relationships (Salo et al, 2009; Tähtinen et al, 2007; Tähtinen & Vaaland, 2006; Tähtinen, 2003). The examination of the actions and reactions of the OMs provides insights regarding the dynamic nature of the process involved (Halinen & Tähtinen, 2002). These OMs are not only responsible for the state of the relationship before the breakdown but are also responsible for the renegotiation of trust and commitment (Ren & Gray, 2009; Ring & Van de Ven, 1994) and the continued efforts to repair the relationship post renegotiation.

Managerial implications

In close relationships, directors should be aware that conflictual events are part of doing business (Anderson & Jap, 2007; Anderson & Narus, 1990). Indeed, the OMs response to conflict is an important part of the process. This research shows that while conflict has value, behavioural conflict should be avoided as it shows the partner organisation that they can be trusted. In addition, this helps the SME to build a good reputation for fair dealing within the industry. When open communication and negotiations are encouraged as opposed to behavioural conflict, decisions are facilitated (Amason, 1996). Therefore, conflict management skills should be honed within the SME organisation so that all employees realise the benefits of conducting favourable interaction within business to business relationships. This research shows that SMEs learn from their experiences which should then be passed on to other managers so that there are procedures in place to deal with these incidents if they arise in the future (Dwyer et al, 1987).

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