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REFERENCE COMMUNICATION AND THIRD ACTORS IN THE INITIATION OF BUSINESS RELATIONSHIPS

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Turku, 22nd of September

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1 INTRODUCTION

1.1 The phenomenon and the background of the study

Business relations seldom emerge from direct contacts or through cold calling (Waller, Cusick, Matheson & Miller 2001, Ellingson, Hiltner, Loyland & Elbert 2006). The literature widely acknowledges that customers employ information on potential sellers that originates from previous customers and business insiders through word-of-mouth (e.g., Yavas, Babakus & Eroblu 2004, Henthrone, LaTour & Williams 1993), and equally that sellers employ information on their previous customers through references and referrals (e.g., Salminen 1997, Moncrief & Marshall 2005) when they approach new customers. In the initiation of a business relationship, the selling and buying parties typically lack information, sufficient experience of their own, and relations, which a third actor may conveniently offer them. Thus, an external actor in the emerging dyad can be useful in starting a relationship by acting as an information source and mediator.

The following story illustrates the phenomenon in practice. It was told by a representative of a Finnish SME during a training day concerning marketing:

Once we were presenting our firm at a trade show and a man came to our stand. He seemed really interested and started to discuss our business and offerings with me. He said that he knew us by reputation. He became really enthusiastic and said that he had good contacts with firm B and he thought that firm B really needed our services. The firm had previously used a provider in the US, but he thought that they should buy their services in the domestic market. He said that he would call firm B on Monday and advise them to call us. However, he was a little drunk, so I thought "Sure you will…" but I thanked him any way. The following week, firm B called us. In point of fact, at the moment, they are a really good customer.

The story illustrates a common phenomenon in business as it stresses the role of externals and their communicative inputs in the initiation of new business relationships. In this case, a person played an important role in the initiation of a good relationship when he linked the firms together. This is also seen in the literature on the subject: Some empirical studies show that external parties can successfully promote the initiation of business relationships by recommending and spreading positive word-of-mouth or by acting as reference customers (e.g., Wong & Ellis 2002, Ellingson et al. 2006, Feldmann Barr et al. 2003).

Studies have shown that, from the seller party's perspective, this kind of external impact is more effective than, for example, a marketer's cold calls and advertising activities in order to create new business relations (Waller et al. 2001, Ellingson et al. 2006). Recent findings by Villanueva et al. (2008) suggest that word-of-mouth customer acquisitions may even reflect the success of a relationship in the long term; customers acquired through word-of-mouth activities offered nearly twice as much long term value for a firm, were more loyal, and brought twice as many new customers as those customers who were acquired through active marketing activities.

Externals are useful also for buyers, when they are seeking experiential knowledge and evidence about the opposite party's previous good performance. Buyers require evidence about the trustworthiness and performance of the seller party, and often turn to a seller party that is previously known, or has a "track record" (Mitchell 1998a, Ewing, Caruana & Loy 1999) that provides evidence of the supplier's performance and capabilities. Particularly in service industries, values and benefits that long-term relationships and intangible services might generate are difficult to assess beforehand; and because the new customer may lack experiences of its own that could provide such information, it tends to base its search, evaluations and choice on existing customers' and other business actors' experiences which are conveyed through references, reputation and word-of-mouth (cf. Yavas et al. 2004, Yoon et al. 1993, Mitchell 1998a, Henthorne et al. 1993).

In essence, both parties to an emerging relationship try to reduce their existing distance from each other, and they may use the counterpart's reputation as an indicator of performance (Ford 1980) when they are scanning for a common future. Reputational information provides experiential information for business actors: such input is crucial when prospective parties assess whether or not to engage in interorganizational collaboration and decide which partner to choose (Andersen & Sörensen 1999).

Information on previous performance is embedded in various types of communication; such as referrals (Wheiler, 1987), word-of-mouth (Money 2000, Wheiler 1987, File, Judd & Prince 1992, Waller et al. 2001, Money, Gilly & Graham 1998), referencing (Salminen & Möller 2006; Salminen & Jalkala 2010), and sharing reputational information (Nunlee 2005, Larson, 1992, Yoon et al., 1993 Fombrun 1996, Caruana 1997). Such communication types have been found to have a strong impact when actors buy, sell, or choose new partners (Wong & Ellis 2002, Dollinger, Golden & Saxton 1997, Larson 1992, Andersen & Sörensen 1999). Based on the above, it can be argued that externals and their contributive communication matter in initiation. Since the concepts of references, referrals, recommendations, word-of-mouth, reputation and testimonials all are about the externals' previous experience of the seller party's performance as communicated to others, this study considers them variations of the same phenomenon, and thereby investigates them under an umbrella concept i.e. reference communication and analyses their features.

However, the trade show story also raises more questions: Why did the man recommend and mediate this relationship? Why were his activities so effective, perhaps even crucial, in the initiation? Who was he? What did he tell the potential client when he recommended the firm? Why did the client accept the message and trust this mediator?

The importance of external actors is based on their “externality” and their supposed objectivity, which helps to create source credibility (see Salminen 1997, Löwendahl 2005) because the information is offered by someone who is perceived not to obtain monetary gain from doing so (Gremler & Brown 1999). The external third actors who help promote initiation are only briefly mentioned in the literature and are referred to by various labels, such as bridges, door-openers and connectors (Halinen & Salmi 2001, Smith & Laage-Hellman, 1995, Uzzi, 1997). The most often examined referees, references and other kinds of external third actor are satisfied existing customers, but many other personal and organizational actors are found to be able to enhance a business (e.g. Herriott 1992).

Such externals are not only information sources and spreaders, they are also actors who may connect business actors together. In the networked business context, relationship initiations can be triggered or mediated by network actors and existing network relations (Ritter 2000). Thus the idea of externals as the third actors who are involved in initiations is grounded on the connectedness: the external actors of an emerging dyadic business relationship can have connections to the actor in whom the other party is interested but does not have a connection to, and thus the third party may be able to create a new direct connection between the actors (Ritter 2000, Smith & Laage-Hellmann, 1992).

1.2 The purpose of the research and two approaches to the primary phenomenon

Surprisingly, only a little attention has been paid to relationship initiations and even fewer empirical studies have detailed this (Holmen, Roos, Kallevåg, von Raesfeld, De Boer & Pedersen 2005, Edvardsson, Holmlund-Rytkönen & Strandvik 2008, 2007, Kallevåg 2007). An initiation is often noted briefly as a phase of relationship development, and regarded as merely a first phase in various relationship development models (e.g., Ford 1980, Dwyer et al. 1987, Batonda & Perry 2003). Since such models concentrate on discussing the whole relationship development process, they do not offer a closer analysis of the initiation phase per se. Initiation has only recently been the focus of a study: Edvardsson et al. (2008) found that initiations are often unpredictable and they do not only progress, but can also cease or flow backwards. Thus, it can be assumed that an initiation is not just the simple launch of a relationship. Initiation paths and situations vary in diverse ways. The selling and organizational buying literature furnish perspectives of the initiating actors and closer descriptions of the seller’s or buyer’s activities during an initiation, but these literature streams do not provide an analysis of the initiation of a mutual relationship.

The assumption of this study is that an initiation is not just the simple launch of a relationship. Instead, initiation paths vary and various triggers are needed during the whole initiation to advance the process. In this study, word-of-mouth, reputation and reference types of communication (reference communication) and third party actors are regarded as triggers that may contribute to the initiation of a new business relationship. The existing research provides plenty of scattered notes on how external third actors and communication that involves such externals are advantageous. Awareness can be built, access can be facilitated, and trustworthiness can be legitimated through word-of-mouth, reputational information and referencing, where parties aim to simplify partner choice (see e.g. Yavas et al. 2004, Salminen & Möller 2006; Mitchell 1998a, b, Bunn 1993, Henthorne et al. 1993; Ritter 2000; Andersen 2001, Batonda & Berry 2003, Larson 1992, Andersen & Sörensen 1999, Jensen & Roy 2008). Externals can facilitate the creation of new relationships through their social relations, or they can be otherwise involved for example through referencing practices (Batonda & Perry 2003, Ritter 2000, Wong & Ellis 2002).

Despite the acknowledged relevance of external actors and this type of communication in initiations, the topic has rarely been the focus of study. There are only a few conceptual studies that clearly relate to communication and relationship initiation (e.g. Andersen 2001) or third actors, network effects and initiation (e.g. Ritter 2000). There are no empirical investigations. Additionally only some indirect evidence of their role in initiation has been provided, which means the research knowledge on the phenomenon is still scarce and scattered.

Therefore, *the purpose of the study is to describe and analyze how reference communication and third actors contribute to the initiation of business relationships* (see Figure 1). Realizing this purpose will produce models and categorizations of contributive reference communication types and third actors and their contribution modes and roles and the model of initiation presenting initiation key processes.

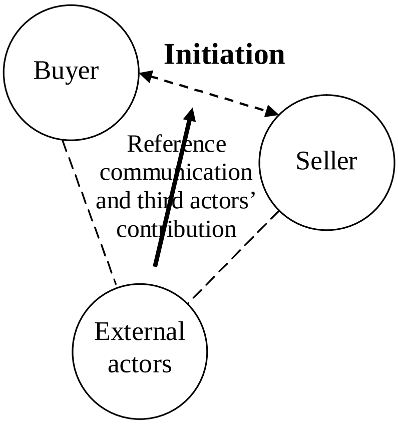


Figure 1 The purpose of the study and the primary phenomenon

The focal unit of analysis is an initiation in which at least three actors are present: the prospective seller and the prospective customer, and the third actor who enacts the referring or acts as a reference; in other words, the setting of the initiation is triadic (see Salminen & Möller 2006, Havila 1996). In this study, the actors can be either individuals or organizations.

The experiences of externals and the activities that evolve from experiences can be negative and positive, and inputs such as word-of-mouth can be based on satisfaction or dissatisfaction (Salminen 1997, Cornelsen & Diller 1998). Since this study concentrates on the advancement of initiations, the focus lies solely on positive activities with a promoting impact. However, it should be noted that it is an intricate matter to assess what is negative or positive, as that depends on perspective and time. Therefore, this research focuses on experiences and activities that are positive in the sense that they have aimed to advance focal initiations and support finding the optimal partner. Actors may also engage in positive activities such as reputation building and referrals without having any direct experience of the actors involved (Johnson, Zinkhan & Ayala 1998, Larson 1992), but this study focuses on actions that are based on the direct experiences of third external actors.

There are dilemmas involved in defining when a relationship really begins, because parties can be aware of each other for a long time (e.g. Andersen 2001) and informal social events and episodes may occur prior to transactions. This study regards the first assignment as the beginning of a relationship, and it will only be clear at some future point whether or not the transaction will evolve into a long term relationship with repeated assignments or continuous interaction.

The purpose of the study is examined from two theoretical perspectives: the phenomenon is first treated as communicational (reference communication theme), as the initiation is triggered or facilitated by positive word-of-mouth, referencing or reputational information; and second as a network phenomenon (third actor theme), as the initiation is triggered or facilitated by the actor from industrial or social networks. In the following, both themes are justified and clarified, and related to the initiation of a business relationship. The themes are justified by discussing their theoretical foundations, the identified gaps are introduced, and the intended contribution of each theme is suggested.

The two theoretical perspectives are treated as separate. Both Alvesson and Kärreman (2007), and Andersen and Kragh (2010), have pointed out a contribution that can be made from creating new insights by employing different theoretical frameworks and treating them as different language games. However, because each paradigm and language game has different kinds of rules, obligations and vocabularies, integrating diverse theories extensively can easily lead to a multitude of terms and theoretical emphases. Therefore, the perspectives are treated separately, and the phenomenon is investigated through the “communication” language and models, and then through the network language and models.

If business research and practice do not monitor the contribution through reference communication and third actors, much potential that could be used to facilitate business is neglected. Studying both perspectives and achieving the elaborated understanding of reference communication types and diverse third actors could help managers employ this contributive support when they aim to initiate new business relations, and researchers to reconsider the connections between studied concepts.

1.2.1 Communication theme

The communication perspective was chosen (see Table 1, communication theme) to study externals’ contribution to initiations of business relationships because only a few studies investigate communication and relationship initiation (e.g. Andersen 2001). Relationship development models often include communication and “reference communication” types in the process (e.g., Ford 1980, Dwyer et al. 1987, Frazier 1983), but do not analyze them in detail. In general, the relationship marketing approach tends to neglect the role of communication in relationship creation and maintenance (see Andersen 2001, Mohr & Nevin 1990, Olkkonen, Tikkanen & Alajoutsijärvi 2000). However, the communication process is a critical dimension in relationship building, since trust and commitment can be considered products of communication (Duncan & Moriarty 1998). An understanding of the exchange partners’ intentions and capabilities is built through communication, laying the groundwork for relationship development (Olkkonen et al. 2000, 406, Mohr & Nevin 1990). So, research should shift its focus from the traditional marketing communications research that concentrates on mass-communicative effects, to the communication processes that occur within business relationships, and analyze various acts of communication and various interactants' perspectives (see Olkkonen et al. 2000, 407). The literature infers that particularly initiation situations are uncertain in nature, where external information searches as well mutual communication are stressed (Henthorne et al. 1993, Andersen 2001), and where various communicational cues and signals, such as the reputation of the seller, provide information on aspects that are hard to discover or interpret prior to engaging in exchange (see Andersen & Sørensen 1999, Hansen, Samuelsen & Silseth 2008). Even though earlier studies presume that communication is significant in the initiation process, that significance has been given scant attention, and more understanding is needed. This study considers communication to be a sign based activity for conveying information from one entity to another or conveying information by or to or between people or groups (see e.g. Habermas 1984).

References, reputation and word-of-mouth type communication are often linked to initiation: Andersen (2001) stresses in particular that communication in the launch of relationship development does not necessarily imply direct dialogue between the potential buyer and the supplier. Instead, reputational information and referrals originating from other sources often inform the nature and performance of the selling firm. Word-of-mouth and references are employed when buyers seek suppliers and evaluate alternatives (Bunn 1993, Henthorne et al. 1993), and, in the same way, when sellers pursue new customers and communicate their offerings and performance (Moncrief & Marshall 2005, Jalkala 2009, Salminen 1997). However, most of the studies have linked these kinds of communication type to selling or buying, not to mutual relationship building. For example, the word-of-mouth literature concentrates mostly on the buyer perspective, whereas the reference research concentrates on the seller perspective and does not comment in depth on mutual initiation (e.g., Salminen & Möller 2006, Jalkala & Salminen 2009). Consequently, a greater and more integrated understanding is needed of how references, reputation and word-of-mouth contribute to initiations.

In this theme, reference, word-of-mouth and reputational information sharing are regarded as b-to-b marketing communications in initiation settings. In general, research into business-to-business marketing communications has been neglected compared to business-to-consumer marketing communications (e.g. Gilliland & Johnston 1997). Business markets lean less on mass marketing communications, and rely more on reputation, references and referrals, which are important channels for conveying information between business actors

(Andersen & Sörensen 1999), and which have been a subject of growing interest (Jalkala & Salminen 2009).

The primary assumption of the communication theme is that the concepts termed references, referrals, recommendations, word-of-mouth, reputation and testimonials can be gathered together under an umbrella concept termed reference communication, since in these concepts the externals' previous experience of the seller party's performance is communicated to others. This theme assumes that various reference communication types interact but also play various roles throughout the initiation process and therefore contribute differently to initiations. The theme therefore aims to define the reference communication concept as an umbrella concept, but also to clarify the definitions of each concept. The reference communication theme analyzes various types of communication in which externals are involved and links them to initiations: for example, referencing occurs when sellers communicate their gained customers and cases through references (Salminen & Möller 2006, Jalkala & Salminen 2009), while recommendations and referrals are positive statements and advice from externals parties (see Boles, Barksdale & Johnson 1997, Johnson et al. 1998, Waller et al. 2001, Wheiler 1987, Herriot 1992). Various stakeholders are involved in reputation building since their collective judgment and overall evaluation of a company over time defines reputation and conveys reputational information onwards (see Gotsi & Wilson 2001, Yoon et al. 1993, Fombrun 1996, Caruana 1997, Andersen & Sørensen 1999). Thus they all enable the provision of and gaining experiential information concerning previous performance.

Furthermore, the preliminary research findings (described in section 1.5) indicated that references, referrals, recommendations, and reputation act together, encouraging the idea of gathering the concepts under one umbrella concept and studying their parallel but distinctive mechanisms. Preliminary data analysis indicates that buyers used references and recommendations in parallel in initiation situations, while sellers' customer acquisition practices often mixed the use of references, reputation and referrals. Information about previous transactions and relations was delivered in a variety of oral and written forms, through different impersonal and personal channels. The emergent findings raised the question of whether the phenomenon could simply be a matter of delivering reference information through distinctive channels.

A closer review of the previous literature lends some support to this argument. First, there is a lack of clarity in the use of the terms reputation, references, referrals, recommendations and word-of-mouth, and authors often use the general term "reputation" even if alluding to references or word-of-mouth (e.g., Ford 1980, Andersen 2001), which suggests that the concepts possess similarities. Secondly, despite there being obvious relations between the concepts, existing research does not provide explicit structured discussions on the relations between the concepts. However, the literature review revealed some isolated notions on relations between two or three concepts: For example, Yoon et al. (1993) and Caruana (1997) state that reputation increases through word-of-mouth, and also Hansen et al. (2008) link reputation and word-of-mouth, and consider them both to be indicators of customer perceived value. Mason (2008, 218) describes a relation between word-of-mouth and testimonials. Reference research links references to reputation building. Reputation is considered the outcome of the process of employing references (Salminen 1997, Salminen & Helm 2010), and Ruokolainen and Mäkelä (2007) note that a positive reputation is the result of more than one customer reference. The supplier may aim to control its reputational appearance through reference lists (Andersen & Sørensen 1999). Salminen (1997) and Salminen & Möller (2006) also establish a relation between oral referrals and testimonials. Within the service literature, Grönroos (2000) links word-of-mouth and references by stating that references and testimonials represent an active means for the firm to use positive word-of-mouth in its marketing. Similarly, File et al. (1992) note that service providers can tap satisfied customers by employing word-of-mouth and referrals, and by enlisting client participation, such as testimonials and case histories. Löwendahl (2005) links experience records (cf. references) and reputation.

These both empirical and theoretical cues suggest that there evidently are similarities between the concepts, as well as differences, but these relations have not been explicitly analyzed, since the concepts are discussed separately. Therefore, this study does not concentrate on one or two of these concepts in isolation, choosing instead to integrate knowledge concerning the concepts in order to uncover their common features and distinctive mechanisms. The poorly defined use of the concepts described as reputation, referrals, references and word-of-mouth indicates that it is also necessary to clarify the definitions of each concept, in order to elucidate the distinctions between the concepts and to reduce the blurred nature evident in their use.

The preliminary findings also drew attention to the “reference information content”. Previous empirical research has discussed various aspects of references, word-of-mouth and references, but little consideration has been given to the content of the information embedded in the concepts. For example, the reputation or word-of-mouth literature seldom discuss exactly what it is that actors tell each other about their previous experiences i.e. what the core information is that these practices convey. Some reference literature has reviewed the kind of information references can provide (see Jalkala & Salminen 2009, Salminen & Möller 2006, Ruokolainen 2007), and some insights can be derived from the buying literature (with regard to what information a buyer seeks), and selling literature (what information a seller provides). Thus, the identification of experiential information within reputation, word-of-mouth and references, and the conceptualisation of the content of that information are pursued.

In order to develop an understanding of reference communication in relationship initiations, and to fill the research gaps, the primary research question for this theme is: *how are the previous experiences communicated through reference communication during initiations.* The similarities and dissimilarities of reference communication concepts and their role as b-to-b marketing communications in initiation settings are investigated further by asking

- *What is the common core (i.e. basic features) of reference communication?*
- *How is reference communication communicated?*

These questions are studied by analyzing word-of-mouth, reputation and references with the communication model, originally Shannon and Weaver (1949), and Lasswell (1948), which is employed as the analytical frame. This traditional communication model provides a simple structure with which to conceptualize the phenomenon and empirical data. The analysis is divided according to the elements of the communication model: how do the roles of the *sender*, the *external* and the *receiver* occur in reference communication, through which *channels* is reference information delivered, and what kind of information is shared as the *message* in reference communication during initiations. By employing this conventional, clear and established model in analysis, concepts such as word-of-mouth, references and reputation can be compared and defined in a structured way. The simple structure enables these types of communication to be distinguished in terms of e.g. sender and channel. This analysis should clarify our understanding of each reference communication concept, build new knowledge on how they contribute to initiations, and define the common core of reference communication.

In answering the research questions, the study contributes to existing knowledge in four ways: first, the study generates a new umbrella concept for reference communication by exploring its common core. In gathering the different concepts together, this study integrates the existing knowledge on the communication types that involve externals. Thus, secondly, the study enriches the conceptual descriptions of references, reputation, word-of-mouth, and other related concepts. It presents them as parallel but separate mechanisms that employ different channels, and in which the roles of the communicators (the seller, the buyer and the external) differ. Thirdly, the theme provides new knowledge by exploring the reference information (what are references, word-of-mouth and reputation about). Finally, in reflecting this new knowledge to initiations, the theme increases our understanding of how reference communication contributes to initiations.

1.2.2 The third actor theme

The triadic configuration of the phenomenon brings the relevance of the third actor into focus. If an external actor participates in the emergence of a business relation, for example by introducing a seller and a buyer, a dyadic relationship becomes triadic (e.g. Ritter 2000). However, business relationships are usually studied as if they were dyads (see Havila 1996), even if they are affected by various relations and actors. Nevertheless, e.g. a reference situation always includes three actors (the seller, the existing customer and the potential customer) (see Salminen 1997) and therefore Salminen and Möller (2006, 41) state that referencing from the network perspective needs more empirical research. Therefore, this theme focuses on third actors in the emerging dyad, analyzes their contribution in the initiation of business relationships (see Table 1, third actor theme), and thus adopts a network perspective on initiations.

Stage models of relationship development (e.g., Ford 1982, Dwyer et al. 1987) do not account for third actors as promoters of relationship initiation, and only some authors explicitly mention how the external parties and mediators may search for potential partners and facilitate the initial contact (Batonda & Perry 2003, Holmen et al. 2005, Ritter 2000). The industrial network literature argues that among connected business actors existing relationships have signalling reference effects (Anderson, Håkansson & Johanson 1994, Ritter & Gemünden 2003) and market functions (Walter et al. 2001). In other words, a business actor, who already has experience of an interested party and possesses direct connections, is able to contribute to the emergence of a new relationship by sharing information and relations. Furthermore, the buying literature suggests that particularly inexperienced buyers tend to employ external actors, such as expert peers and other business insiders (Dawes, et al. 2000, Henthorne, et al. 1993, Wheiler 1987). Similarly, the selling literature acknowledges the linking “intermediaries” that can provide introductions and referrals useful in approaching potential customers (Moncrief & Marshall 2005, Yavas et al. 2004). Particularly in studies of internationalization, several researchers have observed that with the help of third party mediation a new foreign market opportunity can be identified or a foreign exchange facilitated (Su et al. 2009, Mainela 2007, Ellis 2000, Wong & Ellis 2002).

The existing research suggests diverse types of external actors who can play a role when new business is emerging but it does not analyse in a structured and consistent way who or what the actors are and in what ways they contribute initiations of relationships. Moreover, there is a question to be answered as to why third actors share their experiences and relations with others. Referees’ motivations to spread motivation are sought in consumer markets and many incentives and motives have been found (e.g. Goodey & East 2008, Walsh et al.

2004), but there has been no strict analysis on business actors' motivation to promote others' business. For example, Walsh et al. (2004, 119) note that research should examine such motivations more closely. This theme concentrates on analysing the positive promoting role of thirds in the initiation, although it also acknowledges their potential negative influence.

The third actors with potential to contribute to relationship initiation, selling or buying are mostly embedded in introduction activities (Ritter 2000), "word-of-mouth", referencing (Helfert & Vith 1999, Salminen & Möller 2006, Jalkala & Salminen 2009, Ruokolainen 2008) or "reputation" (Larson 1992, Ford 1980). Previous research, however, has concentrated on one type of action, such as references or word-of-mouth. Moreover, the triadic configuration and positive network effects have been analysed only in passing or conceptually (Ritter 2000, Batonda & Perry 2003). Existing research has not provided a comprehensive and structured analysis on types of third actor and the ways in which they are involved in initiations. Consequently, the research knowledge on "the third actor" phenomenon and their contribution to business relationship initiation is scattered throughout various literatures and found under a variety of titles and in a variety of areas. Even though the relevance of third actors seems to be common knowledge among business marketing researchers, surprisingly, third actors with a contributing effect to relationship initiations have not, thus far, been a focus of study.

Therefore, the second theme of this study focuses on third actors – hereafter also *thirds* – who have knowledge of one or both parties in the emerging dyadic relationship, and participate in initiation by sharing their experiential information and relations with the other party (see Table 1). The research question for this theme is: *what kinds of third actor contribute to initiations and how do they contribute*? To answer this question, the theme resolves the following subquestions: *who or what the third actors are*, *what motivates them*, *how active they are in an initiation*, and *what their roles are in initiations*.

In answering the research questions, this study contributes to existing knowledge by producing a fuller and more structured analysis of third actor contributions in initiations. This theme generates categories of third actor types and embodiments, provides a typology of their activity modes and motivations, and categorizes the roles that third actors perform in the initiation of business relationships.

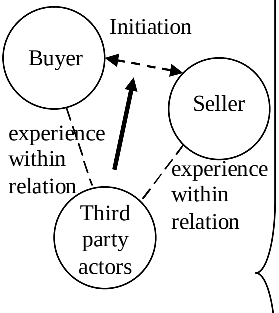
1.2.3 Linking the reference communication and third actor's contribution themes to relationship initiation

The "reference communication" and "third actor's contribution" themes are separate but interconnected: they provide different kinds of theoretical angle for the primary theme of the study, and are thus transversal themes that both cross the relationship initiation. The findings from previous phases and identified categories are employed as the research proceeds: for example, some findings made in the reference communication theme are employed in the third actor's theme. In other words, a cumulative effect is pursued.

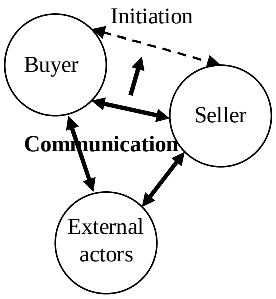
In the *communication* theme, the phenomenon is considered in terms of communication activities in business-to-business markets to enable relationship initiations. The focus lies on communication types and messages, and on the actors communicating (see Table 1). The concept of reference communication is introduced and analyzed using the structure of the classic communication model as the analytical frame. This theme generates, from the data, categorizations of reference communication mechanisms and reference information. Within the theme, the third actor's role grows in emphasis as it plays an important role in reference communication.

The *third actor* theme analyzes the phenomenon in terms of networking and mediation activities. The focus lies on third actors' various embodiments, activity modes and roles in initiations (Table 1). This theme also generates, from the data, categorizations of third actor types and their roles in initiations.

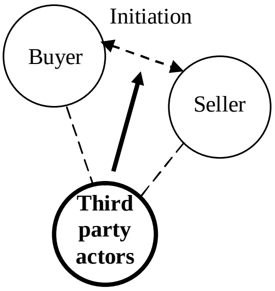
Table 1 The purpose of the study and the focuses of communication and third actor themes

<table>
<tr><th><i>The purpose</i></th><th><i>Theme and focus</i></th><th><i>Research questions</i></th></tr>
<tr><td rowspan="2">To describe and analyze how reference communication and third actors contribute to business relationship initiations.


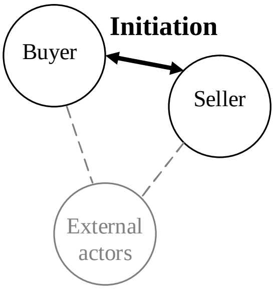
Buyer
Initiation
Seller
experience within relation
experience within relation
Third party actors

</td><td>Reference communication


Initiation
Buyer
Seller
Communication
External actors

The phenomenon is regarded as communication activity between the parties involved.</td><td>How are the previous experiences communicated through reference communication during initiations?</td></tr>
<tr><td>Third actor contribution


Initiation
Buyer
Seller
Third party actors

The phenomenon is regarded as mediation activity and network effect.</td><td>What kinds of third actor contribute to initiations and how do they contribute?</td></tr>
<tr><td></td><td colspan="2">The initiation as a background in both themes</td></tr>
<tr><td></td><td>

Buyer
Initiation
Seller
External actors

</td><td>Initiation:
A business relationship initiates</td></tr>
</table>

The two themes and the initiation aspect are connected as follows: first, the initiation process is outlined conceptually. Due to the scarcity of literature on relationship initiations, the theoretical launch concerning the initiation process employs several relevant literature streams to provide a conceptual synthesis that describes how (buyer-seller) business relationships initiate. Thus it provides "a canvas" on which the two themes, reference communication and third actor's contribution, are reflected. In the following sections, the reference communication and third actor contribution themes are considered as separate modules (see Figure 2): reference communication is analysed as b-to-b communication that contributes to initiation processes, and then the third actors involved are analysed in providing positive network effects in initiations. After analyzing the phenomenon via these two approaches, the study then returns to the topic of initiation and links the findings on reference communication and third actors back to the relationship initiation. This is achieved by describing and analyzing three initiation cases where reference communication and third actors have played a significant role. This section generates comprehensive initiation cases that illustrate how the initiation progresses and how different types of reference communication and third actors make their contribution through divergent routes to the initiation process. This initiation case section thereby employs the categories that the study has developed in its earlier sections on initiations, reference communication and third actors, where the cases are analyzed. The cases are built on data that concern a particular initiation from various parties' perspectives. Finally, the contributions of the themes are integrated at the theoretical level to provide the final conclusions on how reference communication and third actors contribute to relationship initiations.

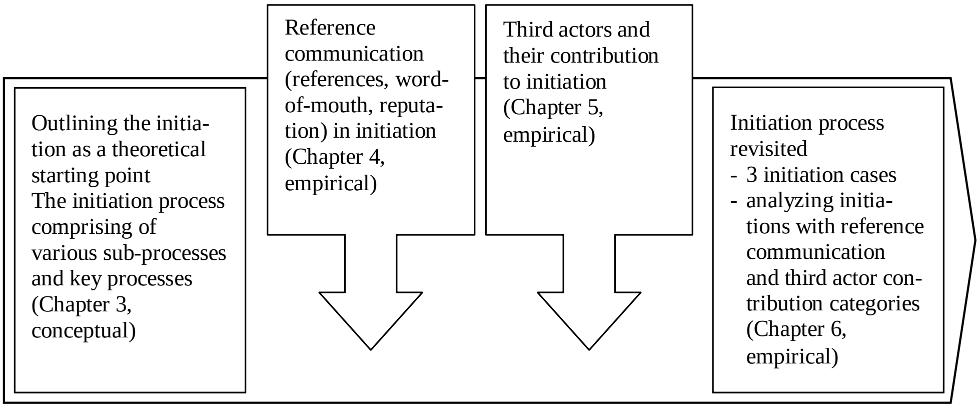

Outlining the initiation as a theoretical starting point
The initiation process comprising of various sub-processes and key processes
(Chapter 3, conceptual)
Reference communication (references, word-of-mouth, reputation) in initiation (Chapter 4, empirical)
Third actors and their contribution to initiation (Chapter 5, empirical)
Initiation process revisited
- 3 initiation cases
- analyzing initiations with reference communication and third actor contribution categories (Chapter 6, empirical)

Figure 2 Reference communication and the third actor themes and their relation to the initiation

1.3 Methodological aspects, key literature and limitations

The study employs a qualitative interview method with a narrative approach and aims at theory development. Its ultimate goal is to find new connections between previously separate concepts and literature domains concerning reference communication, third actors and relationship initiation. The methodology is explained in detail in chapter 2.

The study follows the logic of abductive reasoning by combining ideas arising from empirical data with ideas from the theoretical literature (see Gadde & Dubois 2002, Andersen & Kragh 2010). The key characteristic of this approach is “a continuous movement between an empirical world and a model world”. This approach allows new combinations to be developed through dialogue between established theoretical models and real world empirical findings (Dubois & Gadde 2002, 553–559). This so-called systematic combination differs from induction, since it plays an important role during the whole evolving research process. The focus of systematic combination is “theory development”, not theory generation, since it “builds more on the refinement of existing theories than on inventing new ones”. The study aspires to develop existing theories and models by finding new connections between previously separate concepts, by redefining the existing concepts, and by forming new concepts and conceptual categories to describe the phenomenon. Empirical data play the leading role in the search for new descriptions, concepts and conceptual categorizations, whereas the existing theoretical knowledge is first used to parse and cultivate the data driven findings and secondly through comparisons between data and theoretical knowledge the existing theoretical knowledge is elaborated and adjusted with extensions and corrections and also new models are suggested. The analysis does not aim to test or confirm the existing theoretical frameworks with empirical data.

The study employs professional services as the research context, since they can be considered challenging industries to buy and sell in and difficult environments for initiating new business relationships. Due to the features of professional services, such as information asymmetry, intangibility, knowledge intensiveness and customized problem-solving based solutions or offerings (Löwendahl 2005, Silvestro et al. 1992, Edvardsson 1989, Thakor & Kumar 2000, Lapierre 1997, Sharma & Patterson 2000, Clemes, Mollenkopf & Burn 2000), both the service provider and the customer are challenged during the initiation. For example, the customer might face the problem of understanding and evaluating the service in advance and, for the service provider, it might be difficult to identify the customer’s need, present the service outcome offered, and manage the service process in the initiation phase of a relationship. Thus, this context should provide a rich base from which to investigate communication and relations by external parties contributing to the initiation process. The professional service literature indirectly stresses the relevance of externals and their information in an initiation situation, since new customers for a professional service typically utilize trustworthy information sources to reduce risk and base their choice of service provider on the experience of former customers and other business actors (Lapierre 1997, Day & Barksdale 2003, Thakor & Kumar 2000, Mitchell 1998a, b, Henthorne et al. 1993). Moreover, the importance of professional services has increased in recent years; for example, knowledge intensive service business industries are growing fast in EU countries (Eurostat 2004), so it follows that the professional service industry is also a pragmatically relevant context to study initiation. In general, professional service industries need more research; for example, the purchasing of professional services has received much less academic attention in comparison to industrial purchasing (Lian & Laing 2007).

Since the knowledge on the studied phenomenon is scattered, several theoretical literature streams are needed to resolve the research questions (see Figure 3). First, initiations can be understood in the light of the relationship development literature, seller literature, buying literature, IMP-network literature and social embeddedness literature. The second literature grouping comprises references, reputation, referrals, and word-of-mouth literature. The third grouping relates to professional services. The reference communication theme utilizes mostly the reference, reputation and word-of-mouth related literature, the communication literature, and b-to-b communication research; but also employs the selling literature that discusses selling arguments and marketing communications practices, and the buying literature that discusses buyers’ information channels and topics. The third actor contribution theme most clearly spans several disciplines as mentioned earlier; and as it stresses network aspects, it also employs the inter-organizational and social network literatures along with the other literatures noted above. These literature domains serve as “theory pools” that support the solution of data driven problems in each theme; they provide existing conceptualizations and structural material that can be deployed when new structured knowledge is built through abductive analysis.

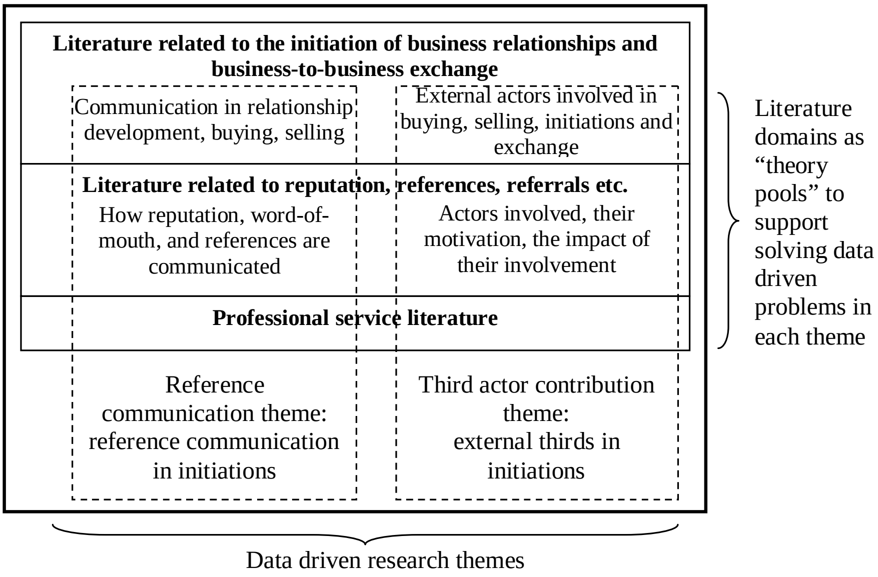

Literature related to the initiation of business relationships and business-to-business exchange
Communication in relationship development, buying, selling
External actors involved in buying, selling, initiations and exchange
Literature related to reputation, references, referrals etc.
How reputation, word-of-mouth, and references are communicated
Actors involved, their motivation, the impact of their involvement
Professional service literature
Reference communication theme: reference communication in initiations
Third actor contribution theme: external thirds in initiations
Literature domains as "theory pools" to support solving data driven problems in each theme
Data driven research themes

Figure 3 Data driven research themes and the matching theoretical literature

Due to the variety of literature domains, the elements of the phenomenon can be labelled in various ways; for example, the customer can be labelled “a client” in the professional service literature, “a receiver” in the communication literature, and “a buyer” in the buying literature, according to the theoretical lens employed. This sets also a special challenge in naming concepts in literature reviews, and in naming the emergent data driven categories.

The terms external parties, third actors, and thirds are employed; they all refer to the same actor but each term carries a different emphasis. The external actor is used more in the communication theme, since it implies that communication involves externals that improve the credibility aspect of communication, while the third actor emphasizes the triadic aspect relevant to the network theme. The key concepts are listed in Appendix 1.

In abductive research, according to Dubois and Gadde (2002), it is not possible to identify all the literature in advance, because of the “learning” and evolving research processes. Continuous reviewing and scanning of the literature is therefore crucial and helps to complete and deepen the analysis. In this research, some literature was employed during the entire iterative journey, and some that supported or contradicted the findings and classifications was identified only during the final months of the research process. Dubois and Gadde (2002) state that abductive studies can be conducted in a variety of ways, and recommend using a tight framework and evolving it during the research. Andersen and Kragh (2009) suggest a looser comparative relationship between the literature and the empirical data for “in vivo” abductive studies. In this study, there is no tight pre-framework, rather a sketched outline of a framework at the beginning of each theme. The literature reviews are meant to be “illustrative” as their role is to link the phenomenon to the theoretical fields and provide sources of inspiration for the conceptualizations. Therefore, theoretical elements are utilized in a variety of ways when the data driven findings are labelled and conceptualized.

1.4 The process of the study

Since the final research questions and focuses were elaborated through an abductive research process, the following section describes in brief how the entire iterative process progressed and how aspects that emerged then influenced choices made. Even though this research aims to understand how reference communication and third actors contribute to the initiations of business relationships, the project did not start out as a study of initiation, but was the result of conducting preliminary interviews about references in the professional service business sector.

Given that there was only a small amount of academic literature about references, and that they were studied only in industrial marketing fields, the first step of the research project was to explore the role of references in professional services. The first interviews were conducted in autumn 2005. The decisive empirical findings in these interviews launched the “re-direction” as it is described by Dubois and Gadde (2002). The most interesting “raw findings” were that references, referrals, recommendations, and reputation acted together, and during an initiation both buyers and sellers utilized practices in which references, reputation and referrals were mixed. The reference practices varied in professional services, because of the history and common practices of the industries involved. Information about previous service transactions and relationships was delivered in different forms (oral and written) through different channels (impersonal and personal). The respondents repeatedly emphasized the parallel use of references, reputational information and word-of-mouth, and the importance of external third actors. Connectedness appeared strongly in the data because new relationships usually produced further relationships through access opportunities. Social embeddedness was obvious because in reference and referral actions the significance of individuals as actors was emphasized; the respondents primarily named people, and secondarily firms. The findings from the interviews also stressed interaction between the value creation and social dimensions of business; social relations produced economic exchange, and economic exchange produced social relations. Thus, it became clear that externals and various network relationships play a very important role in certain strategic phases of e.g. startup firms, internationalization, and when access and further information on matching parties is particularly needed.

These first findings redirected the study from exploring service references towards the study of triadic initiations. It was not relevant to concentrate only on the reference concept; instead, it was necessary to broaden the scope and to study references, reputation and referrals as well as the role of the external third actor “behind” such activities during the initiation. Thus, on the basis of the most interesting preliminary findings and further reading (which had revealed new, narrower theoretical research gaps), the actual research problem was widened to include how reference communication and third actors are involved in initiation. During the period winter 2005 to spring 2006, the research problem was divided into three parts: communication, external third actors and strategic dimensions in initiations.

The next challenge was to find the theories that best matched the themes and helped to conceptualize the findings. The main literature tracks were chosen and a more systematic analysis began in spring 2007. The analysis progressed and the above-mentioned themes were introduced in doctoral workshops and seminars. It soon became evident that the richness of the phenomenon required an even narrower focus as there were too many issues to grasp. The themes were modified and reselected on the basis of the identified theoretical gaps, received comments and preliminary findings. This meant the strategy theme was excluded and initiation, as a new theme, was investigated more thoroughly. The scant existing literature on initiation did not support an understanding of the role of communication and external actors in the initiation process. Finally, initiation itself, reference communication activities and the third actors were selected as the final objects, giving most attention to the reference communication and third actor themes. The research process is condensed chronologically in Figure 4.

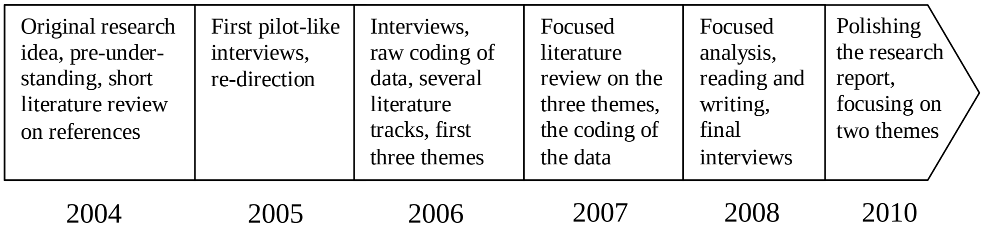

Original research idea, pre-understanding, short literature review on references
First pilot-like interviews, re-direction
Interviews, raw coding of data, several literature tracks, first three themes
Focused literature review on the three themes, the coding of the data
Focused analysis, reading and writing, final interviews
Polishing the research report, focusing on two themes
2004
2005
2006
2007
2008
2010

Figure 4 The time span of the research process

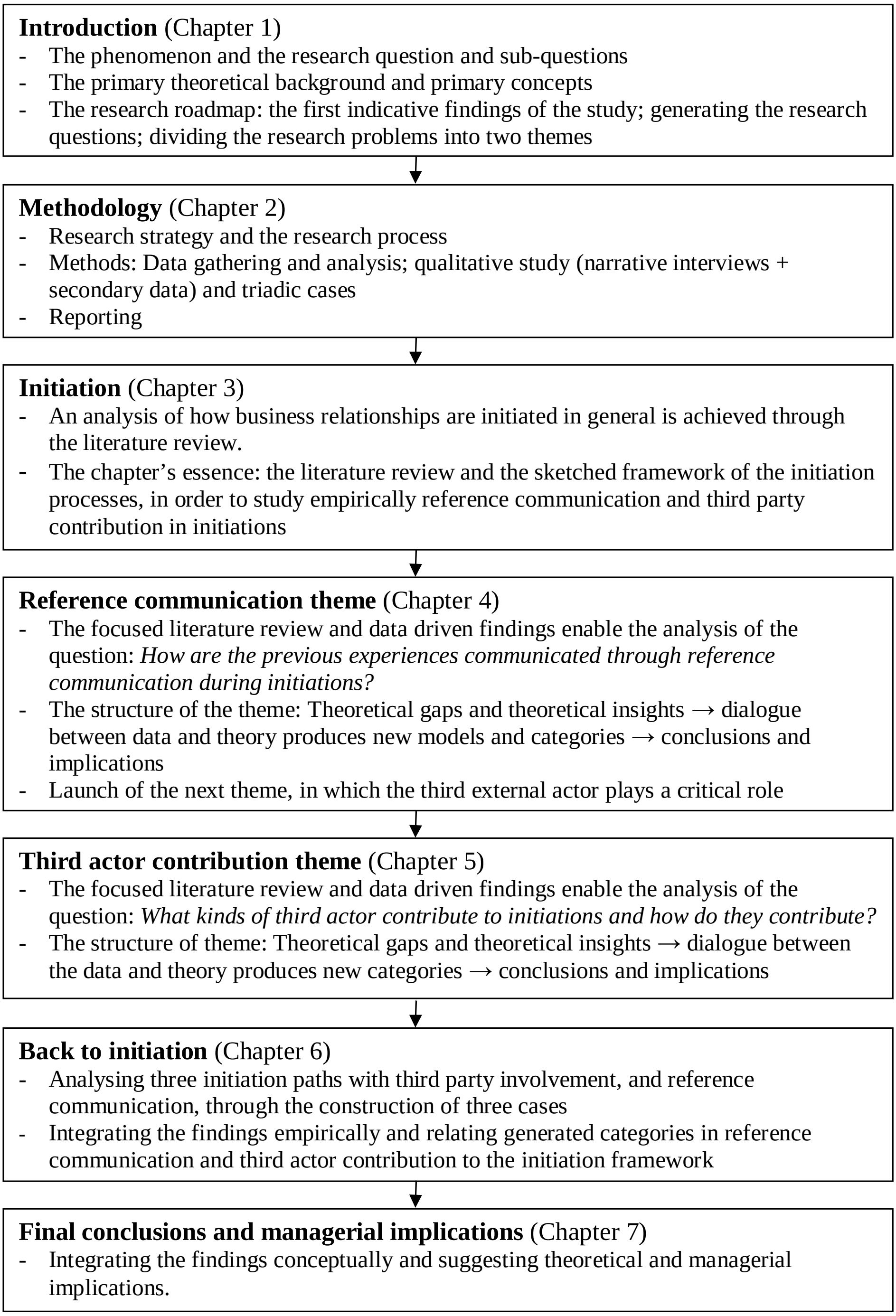
1.5 The structure of the research report

Since abductive iterative logic determined the research, the report does not follow a deductive structure (from theory to empirical findings); instead, it aims to follow an iterative research process where understanding is deepened little by little. The report of this study is modularic, as the “sibling modules” reference communication and third actor form the core of the research. The report structure is illustrated in Figure 5.

Reporting proceeds as follows: after an introduction, the methods employed are described. Then the study continues with a theoretical literature review on initiations, and this review sets the framework for the abductive empirical-theoretical dialogue that follows, which concerns reference communication and third actor contribution in initiations.

The frameworks and thereby the “structures” of the reference communication and third actor contribution modules are generated step-by-step during the research process, by comparing the empirical data and existing theoretical knowledge. As a consequence, the structures of both theme modules are outcomes of analysis and required the integration of data and theoretical knowledge.

Each theme can be considered an individual small-scale study. They start with a literature review and the identification of a knowledge gap, and then move to an empirical analysis that provides new comprehensive categories and thereby structures the studied phenomenon. In each theme module, the addressed contribution is also discussed in more depth. The empirical findings and the conclusions for each theme are utilized as bases for the following theme. One further advantage of a modularic structure is that each contributing field is clearer, since the findings concerning communications can be linked to the communication literature, and the findings concerning third actors contribute to the network literature.



Introduction (Chapter 1)

- The phenomenon and the research question and sub-questions
- The primary theoretical background and primary concepts
- The research roadmap: the first indicative findings of the study; generating the research questions; dividing the research problems into two themes

Methodology (Chapter 2)

- Research strategy and the research process
- Methods: Data gathering and analysis; qualitative study (narrative interviews + secondary data) and triadic cases
- Reporting

Initiation (Chapter 3)

- An analysis of how business relationships are initiated in general is achieved through the literature review.
- The chapter’s essence: the literature review and the sketched framework of the initiation processes, in order to study empirically reference communication and third party contribution in initiations

Reference communication theme (Chapter 4)

- The focused literature review and data driven findings enable the analysis of the question: *How are the previous experiences communicated through reference communication during initiations?*
- The structure of the theme: Theoretical gaps and theoretical insights → dialogue between data and theory produces new models and categories → conclusions and implications
- Launch of the next theme, in which the third external actor plays a critical role

Third actor contribution theme (Chapter 5)

- The focused literature review and data driven findings enable the analysis of the question: *What kinds of third actor contribute to initiations and how do they contribute?*
- The structure of theme: Theoretical gaps and theoretical insights → dialogue between the data and theory produces new categories → conclusions and implications

Back to initiation (Chapter 6)

- Analysing three initiation paths with third party involvement, and reference communication, through the construction of three cases
- Integrating the findings empirically and relating generated categories in reference communication and third actor contribution to the initiation framework

Final conclusions and managerial implications (Chapter 7)

- Integrating the findings conceptually and suggesting theoretical and managerial implications.

Figure 5 The structure of the dissertation

2 RESEARCH STRATEGY AND METHODS EMPLOYED

Contributions by reference communication and third actors to relationship initiations in professional service industries are studied using qualitative methods and the study is based primarily on data generated from interviews. The following presents the research process and strategy, the role of data and theory, data collection, data analysis and the reporting choices.

2.1 Qualitative iterative data driven research

The objective of this research is to develop theory on how reference communication and external third parties contribute to the initiation of new business relationships. The study adopts a qualitative research design with an abductive approach, as this was felt to be most suited to the examination of the phenomenon, concerning which theoretical knowledge exists but in a disintegrated and fragmentary form.

2.1.1 Qualitative design with a data driven approach

Qualitative methods are usually employed to discover and analyze phenomena that cannot easily be captured by quantitative methods (Patton 1989). In this research, the qualitative method was chosen due to the exploratory nature and sensitivity of the research topic. Further, qualitative design was selected, since there was little literature concerning reference communication, third actors, and initiations. As the pilot research revealed that the existing literature does not yet link the relevant issues together, a data driven approach enabled the exploration of the phenomenon “as it is” in order to build and develop new theoretical categories. Furthermore, references have mostly been studied with reference to markets for tangible goods and the characteristics of the services were assumed to add new dimensions to the reference conceptualization, and thereby qualitative design enabled the study of the emergent aspects of the phenomenon. Moreover, the nature and sensitivity of the studied phenomenon makes it difficult to measure. For example, word-of-mouth is difficult to capture because of its informal and incidental nature. These difficulties in researching and measuring the phenomenon are widely acknowledged; word-of-mouth (Villanueva et al. 2008) and reputation (Keh & Xie 2008) are difficult to capture in empirical research (see also Helm 2003, Cornelsen & Diller 1998, Gremler & Brown 1999).

In this research, there was plenty of scattered literature that could be linked to the phenomenon but which did not provide a basis for framework building. Therefore, an abductive procedure provided an opportunity to exploit the existing literature and still construct new conceptualizations. Abductive research can be executed through inductive or deductive procedures (see Törnroos & Järvensivu 2010), and this research followed in particular a data driven procedure, in which the analysis circle started from analyzing the empirical data then moved to a closer theoretical review. An abductive iterative procedure emphasizes the role of dialogue between theory and empirical findings, and thus it can be used for theory development; it enables the consideration and management of many sides of the phenomenon simultaneously, because it allows researchers to grasp a complex multifaceted problem without reducing the number and type of variables involved (see Andersen & Kragh 2010, Dubois & Gadde 2002).

2.1.2 With an abductive strategy towards theory development

Since abduction and iterative research processes are distinguished from induction and deduction, but the term abduction is often used loosely (Reichertz 2004), the abductive processes employed during this research are discussed next. Abduction was “found” by Peirce in the 19th century, and remained relatively obscure, but recently there has been “an abduction boom” in several disciplines (Reichertz 2004). Abduction often includes iteration that occurs when the researcher moves back and forth between theoretical concepts and field observation to enhance understanding of both theory and data. Such iterative research processes have been termed variously as abduction (Alvesson & Sköldberg 1994, Reichertz 2004, Järvensivu & Törnroos 2010), iterative grounded theory (Orton 1997), systematic combining (Dubois and Gadde 2002), and the in vivo and ex ante approach (Andersen & Kragh 2010). The abductive procedure of this research followed mostly the systemic combining (Dubois & Gadde 2002) and ex ante type (Andersen & Kragh 2010); such procedures provided an opportunity to exploit the existing literature and still construct new conceptualizations.

Habermas (1984, 23) stresses that “the logic of argumentation” in abduction goes beyond formal deductive and inductive logic, and can therefore be considered a process of reaching understanding, as a procedure that thematizes the claims and tests as to whether the claim rightfully stands or not, or as a production of arguments. Reichertz (2004) stresses the logical and innovative character of abduction: Abduction is based on logical interference, and is therefore reasonable and scientific, and it provides new knowledge by extending the realm of insights. According to Reichertz (2004, 160), abduction is “highly sensible to examine as closely as possible the life practice that is to be understood, and – on the basis of these data – to (re-)construct the *new* orders.” Abduction pursues new combinations of features, and aims to bring together things that have never been associated with each other before. Therefore it is also a risky intellectual process. In deduction, rules are applied to the new case and therefore deduction is tautological and does not provide new insights. In abduction, the process starts from a known result; abduction seeks a new order and “meaning-creating rules” that fit with surprising facts and thereby remove the surprise. Then the process moves to the multistage process of checking. The process is repeated until a fit is reached (Reichertz 2004). In other words, in studies relying on abduction, the conceptualizations are successively modified, partly as a result of unanticipated empirical findings, but also due to the theoretical insight gained during the process. New combinations are developed through dialogue with established theoretical models and empirical findings from the real world (Dubois & Gadde 2002, 559). Theory building is a “process through which researchers seek to make sense of the observable world by conceptualizing, categorizing and ordering relationships among observed elements” (Andersen & Kragh 2010).

Järvensivu and Törnroos (2010) argue, however, that it is not enough to say that a research process is abductive; instead, researchers should specify the way in which their research is abductive. They identify abductive processes as being different in the different phases of a research process and actually, the “abductive research process” can be a mix of inductive, abductive and deductive subprocesses. For example, sometimes the process can be mostly deductive and partly inductive, and sometimes strongly abductive, especially when comparing the theory and empirical observations, and sometimes strongly inductive and partly abductive, and so on. In this research, some categorizations, such as thirds’ motivation categories, were found through a quite inductive process, whereas some categorizations, such as thirds’ types were the result of a more deductive process. Also Dubois and Gadde (2002) point out that iterative processes have no obvious patterns and efforts to match theory and reality can take researchers in various directions.

“Systematic combining” and “ex ante theory building” best describe the abductive iterative processes involved in this study. The main characteristic of systematic combining is iteration between “an empirical world” and “a model world”. Through this iterative process, the research issues and the analytical framework are successively reshaped when they are confronted with the empirical world, and therefore this kind of process is particularly useful for the development of new theories (Dubois & Gadde 2002, 554). Deductive approaches focus on developing propositions from current theory, whereas inductive approaches such as grounded theory focus on generating theory from data (Dubois & Gadde 2002, 559). Systematic combining differs from induction in that the focus of systematic combining is "theory development", not theory generation, since it "builds more on the refinement of existing theories than on inventing new ones" (Dubois & Gadde 2002, 559). This study aims to be theory developing, since its ultimate goal is to find new connections between previously separate concepts, to reconceptualise the existing concepts, and to find new categories to describe reference communication, third actor contribution and initiation.

In theory developing studies, there are two inner processes that make research iterative: *direction and redirection of research focus and phenomenon* and *matching theory and reality* (Dubois and Gadde 2002, 554). In this research, the first iterative processes were related to the redirection of the study. The first interviews launched a "re-direction" (see Dubois and Gadde 2002), and instead of studying references in the professional service industry this research became a more exploratory study to understand how reference communication and third actors contribute to relationship initiations. Even though there was a major research gap concerning service references, the re-orientation and focusing on a variety of reference communication and third actors in initiations provided an even more interesting topic with potential contribution. Service references could still be included but on a minor scale. This redirection of the topic from references towards reference communication and third actors came from the data, since informants spontaneously revealed issues that were not discussed clearly and explicitly in the literature (e.g. word-of-mouth, references and reputation etc. acting together). The concepts were connected in the empirical world but not in the theoretical literature, and this encouraged the change in the study's focus.

During the later phase of the research, matching processes became more important when identified data driven categories were matched with various existing theoretical conceptualizations and theories. According to Gadde and Dubois (2002, 556), the matching process is "about going back and forth between framework, data sources, and analysis". This iterative process was challenging, since the aim was to find the theories that fitted appropriate models and categorizations, and to model the phenomenon. The existing literature was scattered, widely and across various disciplines with various philosophical backgrounds, and therefore reading, finding and integrating matching literature streams was time consuming.

2.1.3 The role of the existing theories and framework in theory development

Since this study aims at theory development by combining existing theory and empirical data through the abductive process, the role of theories and frameworks in this research is discussed next. There are multiple views on what is the role of existing theories in research (Andersen & Kragh 2010, Dubois & Gadde 2002). According toAndersen & Kragh (2010), some literature domains warn researchers against being too theoretically predetermined, because this may lock analytical focus and hinder researchers in seeing and revealing new theoretical breakthroughs. On the other hand, if theoretical expectations are unspecified, this may lead researchers to try to replicate pre-existing findings and add little to existing theoretical knowledge. One perspective is that reflecting on pre-existing theory can be understood as “part of the process where researchers engage in a discourse with the scientific community” (Andersen & Kragh 2010, 49).

Reviewing the literature before fieldwork commences (Straus and Corbin 1990) may increase the researcher’s sensitivity to relevant issues during data collection and identify problems that can be addressed in the study design. In confirmatory studies, the literature enables the identification of previous knowledge, the discovery of research gaps and the proposal of theoretical and conceptual frameworks. In theory development studies – which this study represents – a researcher’s goal is to discover new things, and theoretical models are important as the researcher can employ their systemic character throughout the process, which assists in sketching the empirical world (Dubois and Gadde 2002). Moreover, the data collection and the search for complementary theories can be parallel in process, since searching for the theories can be guided by the findings in the empirical world (Dubois & Gadde 2002). In this research, particularly the existing labels and aspects that diverse theory “pools” suggested, eased both the identification of potential categories and their designation.

Andersen and Kragh (2010) discuss two distinct approaches to the use of existing theory in theory building and in case studies in particular. They are the in vivo approach, which starts from a single theoretical framework within a single paradigm, and its aim is to deepen and complement that framework. The ex ante approach suggests that researchers should look for theoretical tensions, and develop theory by elaborating on the theoretical understanding through meta-theoretical stances and by using different theoretical frameworks to generate different readings of the case material. These approaches differ in terms of how and when the pre-existing theory occurs: the in vivo approach uses one single theory as an inspirational resource in the early stages of research, and the ex ante approach employs broad and multiparadigmatic theories and treats them as language games in order to produce new understandings. Moreover, Alvesson and Kärreman (2007) have pointed out the potential contribution that can be made from creating new insights by applying an extensive repertoire of theories and vocabularies. Andersen & Kragh (2010) believe that the main idea behind the ex ante approach is that the researcher breaks free from the constraints associated with taking a single paradigmatic stance, although this also requires knowing the rules of each paradigm and language game. This research mostly utilizes the ex ante approach, by investigating the external actors' contribution to initiations through communication lenses and network lenses, and by looking at initiations through the buying, selling and relationship marketing literatures. Also some features of the in vivo approach can be seen in this study, for example, in the early stages of research.

The use of the frameworks can vary in research. For example, Miles and Huberman (originally 1994, Dubois and Gadde 2002, 558) argue that the framework can be tight and prestructured, or loose and emergent. Both have advantages and disadvantages: too much prestructuring in a study can hide the relevant emerging issues from a researcher, but too loose a framework can prevent the topic being seen clearly and lead to data overload. In this research, a simplified preliminary framework precedes the analysis and its aim is to give shape to the studied phenomenon. The framework does not often include the diverse literature that was reviewed with the aim of identifying different aspects that could be linked to the first data driven findings, and thus could be advantageous in conceptualization and categorization. Thereby, the literature was used as a source of inspiration that provided suggestive contours for categorization and labelling. The matching process of this study showed that the literature streams concerning reputation, references, word-of-mouth, networking, relationship development, knowledge management between organizations, organizational buying, selling, and marketing communications acknowledged "the reference communication" and "the third actor" directly or indirectly. Thus they provided initial categorizations and labels that assisted in structuring the empirical data further.

2.2 Data and data collection methods

The study employs qualitative narrative interview data as primary data and diverse written materials related to reference communication as secondary data. The following section illustrates the nature of the data and data collection. The narrative approach played an especially important role in identifying the phenomenon, exploring it, gaining access to a sensitive phenomenon, and understanding it. Therefore, the section also presents in detail how the narrative approach was employed in this research and how it improved the research.

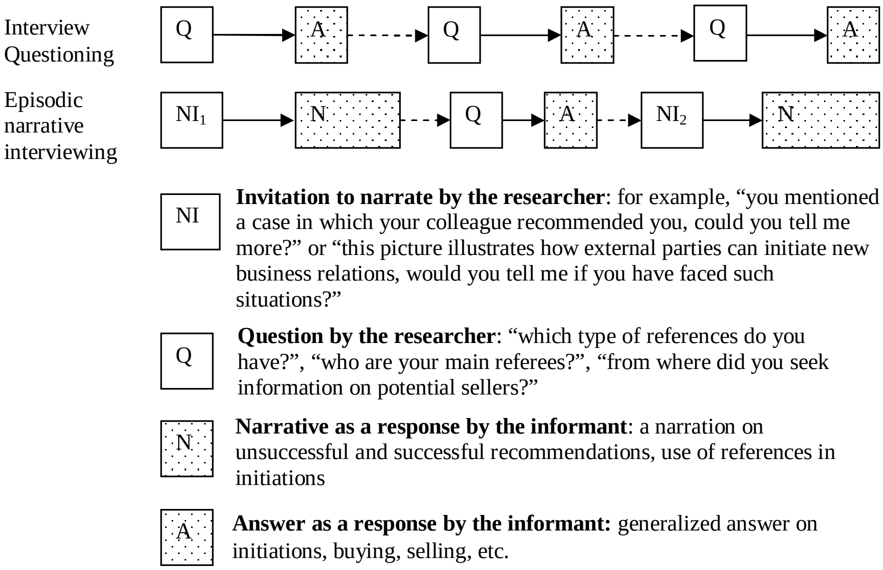
2.2.1 Data types and data gathering

The empirical primary data comprised 30 narrative interviews (see Appendix 2), which were conducted between summer 2005 and spring 2009. Narrative interviews differ from theme interviews, in-depth or open interviews, because questions in the usual sense of the word are not emphasized, and instead the interview is more focused on the interviewees' spontaneous narration (Flick 2002, 100). Flick (2002, 103) emphasizes that open interviews and episodic interviews are clearly separate methods, because the interviewers' "not asking" role differs from the traditional role, and the nature of narratives as data differs from answers (due to a particular structure of narratives).

The narrative interviewing includes general narrative interviews, the episodic interviews, biographies and active interviews (Flick 2002, 96, Coffey and Atkinson 1996, Saastamoinen 1999, Holstein & Gubrium 1995). This study employed *episodic interviews*. In the episodic interview, the interviewee is not requested to produce one long narration, but instead is asked to provide several narratives about the research topic through a periodical invitation to present narratives or chains of situations (Flick 2002).

The distinctions between in-depth, semi-structured, and a standardized survey interview are acknowledged, but still it is useful to bring the major differences within qualitative research into sharper focus (Elliott 2005, 18). Therefore, the following sections explicate how narrative interviews differ from qualitative interviews in general, and how narrative interviewing improved data gathering. In structured interviews, the aim is to acquire information about a certain topic in a certain style and form, and in unstructured interviews the aim is to give more space for the situation and allow the informant to formulate the answers. The main distinction between the conventional qualitative interview and a narrative interview is that the interviewer employs methods that aim to direct the informant's story as little as possible, or the interview situation aims to be so everyday in its nature that people produce their narrative spontaneously and naturally (e.g. Flick 2002). The advantage of a narrative interview is that narration requires of an informant more than just answering. In fact, the informant has to describe all the relevant events in order to produce a comprehensible story (Saastamoinen 1999). Using narratives as data can be based on scepticism about how subjective experiences can be attained through the question-answer scheme of the traditional interview (Flick 2002). The narrative approach sets out the structure of the interview so that data output comes from the interviewee in the form of a narrative, instead of being structured from the interviewer's perspective in the form of questions and answers. This is the main distinction that separates a narrative approach from other qualitative data gathering types, such as theme interviews (Flick 2002).

Narrative interviews provide particular narratives as data outputs. Polkinghorne (1995) distinguishes three types of data: numerical data, answers as a response, and narrative material where the informant expresses the event through their own delivery. Narratives can also be a part of the data: for example, the data in a questionnaire can comprise numerical data, answers to direct questions, and narrative data, but still the distinguishing feature of narratives should be identified and understood, since a narration and a verbal answer differ and therefore their analysis should differ as well (see Heikkinen 2000). In episodic narrative interviews, both the data types "narrative" and "answer" are utilized (Flick 2002, 109). According to Flick (2002, 109), "episodic interviews seek to exploit the advantages of both the narrative interview and the semi-structured interview". Thus, *narrative parts* act as an approach to the experiences relevant to the subject being studied, and the interviewer's key *questions* direct the interview.



Invitation to narrate by the researcher: for example, "you mentioned a case in which your colleague recommended you, could you tell me more?" or "this picture illustrates how external parties can initiate new business relations, would you tell me if you have faced such situations?"

Question by the researcher: "which type of references do you have?", "who are your main referees?", "from where did you seek information on potential sellers?"

Narrative as a response by the informant: a narration on unsuccessful and successful recommendations, use of references in initiations

Answer as a response by the informant: generalized answer on initiations, buying, selling, etc.

Figure 6 Gathering narratives and answers within interviews

As described, this study employed episodic interviews, in which informants generate both narratives on a particular phenomenon and answers to questions (see Figure 6). In narrative interviews, there is no structured "interview guide" in the traditional sense; instead, the narrative interview begins with a generative narrative question that refers to the topic of the study, in order to stimulate the interviewee's main narrative (Flick 2002, Hopf 2004). The questions and invitations to narrate in narrative interviews can be open questions, theory-driven hypotheses-directed questions, and even confrontational questions (Flick 2002, 81). In this research, the primary intention of data gathering was to inspire informants to produce episodic narratives about initiations linked to reference communication and important third external actors, but also questions about each company's history, service, markets and initiation in general were posed (see Figure 6). The "questions" in this research were mostly open invitations to narrate an initiation, reference communication situation or a third actor contribution: "how did this case begin" or "you mentioned that your colleague recommended you to them, could you tell me more about this". Also theory driven questions were asked such as "how do you evaluate your advertising agencies, what evaluation criteria do you use". The questions concerned themes such as the professional service itself, customer acquisition practices (service providers), buying practices in general in the focal service industry (buyers), important relations and networks in initiation, forms of delivering reference and word-of-mouth information, reference practices used and perceived recommendations (buyers) (see Appendix 3). The specificity or the meaning of the interview can also be communicated to the interviewee e.g. by using material such as a text or picture (Flick 2002). In this research, a triad picture was used as a stimulus during the interviews and the informant usually made their own triadic drawings during the interviews without prompting (see Appendix 4). Due to the abductive "learning" process, more focused questions and narration invitations were defined during the research process.

Flick (2002) recommends first providing interviewees with the freedom to tell their story, and only after that can the interviewer ask more questions. When the interviewee begins a narrative, it is important that the informant is not interrupted; instead, the interviewer should encourage the narrator to continue (Flick 2002, 97-98). Riessman (2002) mentions "entrance" and "exit" talk that signals that a story is coming and indicates when it is at its end. According to Elliott (2005), the researcher should avoid interrupting a story, since "If you stop a story because you think it is irrelevant, you will cut off not just that one but a whole series of subsequent offers of information which will be relevant". When the narrative is at its end, unclear fragments are checked with questions (Flick 2002, 98). Within this research, I found especially the timing of a deeper inquiry to be difficult, e.g. when to ask for more information without disturbing the narration or how to ask for more specific information when it was relevant.

In this study, the use of narrative interviewing provided significant advantages, since the narratives provided a rich active data that was not tightly structured and allowed the examination of new aspects of the phenomenon. The investigated phenomenon seemed to be sensitive and informants were sometimes embarrassed by this sensitiveness, and some issues were even explicitly covered: for example, informants said we were not to use and report some sections of interviews, when they were asked the questions. However, the same informants later on, in the interview, spontaneously told the whole story. This illustrates how narratives fit with some research topics, such as sensitive topics. If the informants are allowed to express their views and experiences concerning the issue in their own words and at their own pace and in a good atmosphere, they more willingly provide information on sensitive issues. Thus, it can be said that narratives as a "soft" method, focusing on the narrator's own description, enable the investigation of sensitive, hidden or troubling topics, such as third parties' referrals in this research. Moreover, narrative parts offered rich active data for exploratory data driven study. The narrative approach activates informants to "use their voice" and produce narration from their own perspective. This allows them, for example, to contribute to determining what the most relevant themes are in an area of research. The narrative approach is also said to fit with the particular research topics, such as processual phenomenon, as narration is a natural form to describe process (see Elliott 2005, Langley 1999). This study concerned initiations where reference communication and third actors contribute which are "events" or "processes", and thereby they are easily told in a story form.

Each interview lasted about one and a half hours. Interviews were tape recorded and transcribed. Some follow-up questions were asked via telephone or e-mail.

To complement the primary data consisting of 30 interviews, secondary data were also collected. The secondary data comprise the various written, visual and virtual reference communication related materials from the interviewed professional service organisations and other organizations that were mentioned in interviews. These marketing communications and company documents, such as brochures, web pages, advertisements and presentation materials, were collected and analyzed during the research process (see appendices 7 and 8). The following types of categories of secondary data were used:

- Websites (references, award announcements, testimonials, pictures of artefacts on web pages)
- Award books
- Press releases and newsletters
- PowerPoint slides (e.g. selling presentations including references)
- Brochures and handouts (e.g. printed reference cases)
- Advertorials
- Articles in newspapers, magazines

Some of these data are marketing materials targeted to certain audiences and they represent only the marketer's one-sided view in an initiation situation. Some of the data originated from externals; e.g. public award announcements and books and edited articles in magazines.

The secondary data were a valuable source of information, since they provided written and visual materials, occurred in diverse forums, included diverse reference information and involved diverse thirds. Thus they enabled, for example, the investigation of what kind of information is embedded in reference communication and especially in references (see e.g. Appendix 8), and what kind of forms the information can take. However, the primary data played a leading role, and therefore the interview data with narrative features are discussed in greater detail in the following.

2.2.2 Informant selection and sampling

Professional services were chosen as the research context. When selecting several professional service industries, the dissimilarities and similarities in terms of reference communication and third actors involved among industries became more apparent, and several professional service industries were chosen instead of concentrating on only one industry. According to Clemes et al. (2000), the service marketing research tends to be *empirical* research *within service industries* and *conceptual work across service industries.* Clemes et al. encourage researchers to study more frequently a broad range of services instead of studying only one specific service industry. This study investigated various knowledge intensive professional service organizations from the following industries: design, industrial design, advertising, translating and localisation, engineering consulting, landscape consulting, software engineering and consulting, accounting and corporate banking, and attorney’s offices.

According to Flick (2002), selection can be based on various aims: to select extreme examples such as successful and failure cases, to select typical examples, to pursue maximal variation (selecting items that are as different as possible), to select critical examples where the relationships to be studied are especially clear, or to select for convenience (selecting cases which are the easiest to access). The sampling decisions – whether to choose breadth or depth as the aim of sampling – are essential since the generalizability of results depends on the selection strategies. In this study, the phenomenon under research often includes at least three actors – the seller, the customer and the external third actor – and the aim was to acquire data from all perspectives. Moreover, the aim was to grasp the variety of the studied phenomenon and to select informants who could provide information on diverse facets of the phenomenon, so that the categorizations would be as extensive as possible. The diversity of data was emphasized in order to capture the multiplicity of reference communication and third actors. It was considered important to have a range of professional services, reference communication and initiation types with different characteristics, so that various categories could be identified and the findings would have wider implications. Secondly, ease of access and convenience affected the sampling. The sensitivity of the phenomenon, the indirectness of relations and the informality of referrals and introductions caused access problems: for example, guardedness originating from sensitiveness hindered the study of all perspectives of some relationship initiations, since the informants were not willing to provide access to further informants, or further potential informants refused to give an interview.

The sampling process of this research was gradual as it followed also theoretical sampling. Such sampling is a dynamic process that evolves on the basis of the evolving theoretical relevance of the concepts, and informants “are selected according to their expected level of new insights for the developing theory” (Flick 2002, 64). Both the narrative approach (Flick 2002, 64) and the systematic combining (Dubois and Gadde 2002) emphasize the gradual sampling strategy in which the sample structure becomes defined during the research process.

In practice, the sampling process developed in the following way; the first informants were found from seminars, workshops, meetings, and lectures, where they had indicated that they had faced the studied phenomenon. When new theoretical categories were discovered, and some interesting initiation cases were identified, sampling became more focused and was based on those informants that were likely to provide the most relevant data concerning the phenomenon. At that stage, some of the informants were recruited by cold calling: for example, a number of service providers with a good reputation or with globally known references were contacted, and some of them acceded to an interview request. Also, the snowball technique was used: usually the first contact was made with the seller and after that the buyers or referees mentioned by the seller were contacted. In other words, routes of bridging links between actors were followed. This strategy stemmed from the connectedness of the networks, was a more successful tactic to recruit informants than cold calling, and resulted in interviews that concerned the same initiations. These kinds of interlinked narrative interviews were gathered together and used as cases.

The later case selection and formation progressed in the following way: as the data included several interviews concerning the same initiation for which several informants offered data from different perspectives, i.e. buyer, seller and third party, these interviews and other data was also organized into cases. Thus, case selection and formation was based mostly on access that had already been gained.

The studied professional service organisations and buyer organisations varied in size from small micro-entrepreneur enterprises to large international firms. Informants were chosen according to their key position in the initiation. Informants were mostly entrepreneurs or top management. Informants varied from mature service provider firms with new offerings to new service provider entrants, and from experienced to inexperienced buyers. This diversity provided multiple aspects for the phenomenon, and thereby provided rich data for extensive categorizing.

The narrative approach and sampling of individual informants with maximal variation were preferred over case sampling strategy, and therefore most initiations are described by only one informant. Some snowball sampled interviews, however, were gathered into cases, in which the relationship initiation was described from all these perspectives. It was also important that informants provided one-sided narratives of several initiations during one interview as this increased the amount of data and enriched the data.

Data collection was also influenced by the data analysis, since it was enacted concurrently. The emergence of new categories guided the selection of new informants and thus more focused criteria were used to sample individuals. The fieldwork was finished when the saturation point was reached, which is when more data produced no new challenges for the emerging coding system (cf. Valor 2007). Saturation suggests when to stop gathering data (Flick 2002, 64).

2.2.3 The narrative approach and its roles in the study

In this research, the narrative approach plays a significant role not only in data gathering but also in reporting. Therefore “the narrative ideology” is explained in the following in more depth.

A narrative approach has touched almost every discipline and it has been taken up as a useful analytical tool by researchers with very diverse backgrounds in psychology, sociology and history (Riessman 2002, Elliott 2005). According to the previous literature, the narrative approach can be related to epistemological questions, data types, the way in which to conduct interviews, methods of analysis, or the way to write scientific texts and to report the research (Riessman 2002, Czarniawska 2002, Linde 2001, Coffey & Atkinson 1996, Heikkinen 2000, Saastamoinen 1999). However, though narratives are widely used in several research areas, the concepts of “narration” and “narrative” are understood differently.

A narrative is a story with a beginning, middle and end. The narrative can be an entire life story or a brief topically specific story describing a specific event (Flick 1998). The form of the narrative can be oral, written, filmed or drawn (Linde 2001, Coffey & Atkinson 1996, Czarniawska 2002, Elliott 2005). Despite various approaches, most investigators share certain basic understandings: narrators create plots from disordered experience and the events structure the story temporally and spatially, and one action is viewed as consequent for the next (Riessman 2002, Elliott 2005). The narrative is constructed around a certain topic. A narrative includes a plot consisting of causally related episodes and a chronological structure that usually contains several stages that contribute to a final solution. The phases and the elements are then placed in their context by the informant, and thus the role of the narrator is emphasized. There cannot be an enormous number of events in one story, so the narrator chooses and sorts the events in the narration based on their assumed relevance to the story, and thus the informant him/herself produces causality. Events have a certain order and our Western culture in particular uses a linear temporal structure (Gergen 1994). Temporality or chronology is widely accepted as a key feature of the narrative form (Elliott 2005).

A researcher can employ different kinds of epistemological and methodological assumptions and strategies when utilizing narratives (Riessman 2002, Elliott 2005). Some narrative researchers adopt the constructivist approach, some realism or naturalism (see Langley 1999, Boje 2001, Elliot 2005, Pentland 1999, Riessman, 2002). In general, a narrative approach often shifts the paradigm from a coherent and universal view on reality to plurality and contextuality (Heikkinen 2000). The philosophical aspects impact how a researcher employs narratives and what kind of role they play in the research. The realist approach treats the narrative as a resource for collecting detailed information from respondents, while constructivists focus on the subjectivity of knowing (Elliott 2005). According to Flick (2002, 103), the narrative and the factual experiences and events should not be considered analogous. Even if there are factual data which can be verified (such as dates and places), advocates of “realism” aim to collect many stories from the same milieu or event, and to reveal the patterns or the collective experience (Riessman 2002). This study adopts a realistic approach; the obligations of the study operate quite close to critical realism, which aims to move closer to understanding one true but not so accurate reality. Critical realism contends that the job of science is to use its method to improve perceptual processes, separate illusion from reality, and thereby generate the most accurate possible description and understanding of the world (Easton 1995). This study follows critical realism for example in that the data are gathered from multiple perspectives to deepen understanding of reference communication as b-to-b communication, and third actor contribution as network effects in initiations; but differing or conflicting views are not always treated as validity problems, on the contrary as an opportunity to seek better explanations. Information on dates and some events can be checked objectively, and thus it is possible to show the “truth” of what happened and when. There might nevertheless be inconsistencies and divergent views on “what happened”, which is not unusual in qualitative inter-organizational research (see Halinen & Törnroos, 2005). For example, in this research, both sellers and buyers considered themselves active in taking the first steps leading to a relationship initiation, but the theoretical explanations for conflicting stories were related to the conventional roles of a buyer and seller: they both operate actively in their roles that partially shape their interpretations of the world; “I am a good seller, a good seller is active, and therefore it was me who in calling initiated the process” and “I am an active information seeker and decision maker as a buyer, therefore it was my call that initiated the process”. Alternatively, the perspective taken here can be said to be closer to moderate constructivism, which aims to create new usable knowledge through multiple perspectives of the truth (Järvensivu & Törnroos, 2010).

The narrative approach brings in narrative knowing that originates from Bruner’s classification of knowing (1986). Bruner distinguishes paradigmatic cognition that is based on logic proposition and clearly defined classifications, from narrative cognition that is based on thematically and naturally progressing narration. Both cognitions produce qualified data, but narrative knowing has been overshadowed by paradigmatic cognition in research (Bruner 1986, see also Heikkinen 2000). Narrative cognition is based on “holistic themes” without strict categories, and the events, actions and actors are related to their context; a narrative includes not only the cognitive information but also contextual understanding and affective elements. Thus it provides “narrative simulation” through which the reader/listener is better able to access experiences (Heikkinen 2000). Thus, these two types of knowledge aim to affirm the listener or the reader differently: paradigmatic cognition aims to affirm the conceptual truth, while narrative cognition aims to affirm the reader in a more holistic way because empathizing elements are involved (Bruner 1986).

Narratives can be related to both inputs and outcomes of research: on the other hand, the research may use narratives as data by utilizing informants’ first person narratives of their own experience. These are “tales from the field” (Czarniawska 2002). Research also produces a rational narration about the world and the topic (Heikkinen 2000, 47, Riessman 2001, 696, Czarniawska 2002). Research report construction can also be considered narration: the researcher produces case descriptions, or reports the results, as a form of narration; not “everything” is included in the research report, and therefore through “narrative smoothing” the researcher focuses on some elements and clarifies the plot. These narratives are “tales from the field”, when research is written in a story-like fashion (Czarniawska 2002). According to Riessman (2001), such narratives are quite close to case research. In this research, narratives are employed especially as the data type “tales from the field”, but in the initiation case section, chapter 6, “the initiation tales from the field” are constructed on the basis of narrations, answers and secondary data.

In data gathering, narratives from informants within interviews have usually been considered useless and a loss of research time, because informants may say something the researcher was not actively seeking (see Riessman 2002, Czarniawska 2002). This should not always be considered a negative incident, but instead can be seen as the active nature of the data and the informant. Dubois and Gadde (2002) distinguish between active and passive research data: active data means that the researcher finds something unexpected or something that was not originally contained in the focus of the research. As most data collection is usually based on the current framework and the aim is to search for specific data that fit the framework, the researcher ends up with “passive data”. However, when the researcher is more passive, i.e. during observations, the data she/he receives are potentially more “active”.

Narratives can be considered active data, because they have a relatively free form and emphasize the role of the informant in choosing and shaping the information. As an example, Riessman (2002) describes how their research team studied divorce and asked for the main causes of a separation, but instead of an expected list, they usually got a long story in response. At first, these stories were considered digressions; however, she later realized that participants resisted the researchers’ efforts to fragment their experiences into thematic codable categories, and therefore told stories about the years of their marriage and emphasized troubling incidents in order to create a context for the causes the researchers were seeking. Czarniawska (2002, 735) also states that researchers ask people in the field to generalize their experiences, but still many respondents say “Let me tell you first how it all started” or “you need some more background first”. The result can be a rich narrative, which might or might not be ultimately summarized along the lines the interviewer had in mind. Giving a narrative suggests that certain events are reportable by virtue of their significance or their unusual or unexpected qualities (Elliott 2005, Czarniawska 2002).

The “activeness” of the data can and should be restricted and directed towards the focal research area. Several authors have pointed out how researchers could find a “happy medium” between the subjective perspectives of the interviewee and the thematic direction and limitation (Mishler 1986, Elliott 2005, Flick 2002, 109). As a result, narrative interviewing is often challenging, because the interviewer should on the one hand stimulate the interviewee so that they speak freely and on the other hand communicate the aim of the interview. Even though many authors (Riesmann 2002, Mishler 1986) emphasize that interviewees are likely to provide narratives spontaneously, if they are allowed to, authors have described situations in which they failed to obtain narratives, even though this was the clear aim of the interview. The narrative interview differs from typical interview questioning, which participants are more adjusted to. Although telling stories is common in everyday conversation, many forms of research interview suppress stories because the interviewee can thereby limit answers to short statements, or narratives can be interrupted when they do occur. Consequently, in my own experience, during interviews the interviewees often are insecure about whether their narrations are good enough and they are worried that they are not "answering the question". The usual comment during an interview was "I am just talking and talking, and there's certainly nothing for your research. What was your question?" And often there was no question in these cases but an invitation to narrate their experiences of a certain situation.

Moreover, *the role of the interviewer and the atmosphere* differs in narrative interviewing. The views of the role of the researcher during data gathering vary from a listener (Flick 1998), to an active debater and provocateur (Holstein and Gubrium 1995). Due to the special features of narrative interviews, such as active listening by signalling interest, it is necessary to maintain a relationship between the parties (Flick 1998, Elliott 2005). A good listener is expected to participate in the telling of a narrative, through non-verbal supportive gestures, non-directive brief comments, back channel utterances such as 'right' or 'hmm', and by asking additional questions (Elliott 2005, Mishler 1986, Flick 2002, Hermanns 2004). In this research, active listening was emphasized, and short reactive conversational responses were found to be important in interviewing. The atmosphere in narrative interviews should be relaxed, since "at the most basic level, an individual will need the 'conversational space' to tell a story to another person" (Elliott 2005, 10). The researcher should be patient, since people do not "rush" to stories (Elliott 2005). My own experiences confirm these notions, because for example humour was very important in creating trust and a conversational atmosphere during interviews. The most confidential or important narratives were produced by informants after some laughter. The sensitiveness of the phenomenon was particularly challenging, and this was brought out in a variety of ways in the interview situations: sometimes the informants clearly and explicitly stated that "I'll only tell this to you and you cannot use or report it". About one-third of the interviews included this kind of comment. Occasionally, I was asked to turn the tape recorder off when I was given a narration or answer in the strictest confidence. Sometimes the informants refused to give me a more in-depth narration of a particular incident, even if I asked, but later, when I was leaving and the interview was formally over, they told me the whole story anyway. I think these incidents illustrate both the sensitivity of data gathering and the sensitiveness of the studied phenomenon per se. The narratives were good tools for "extracting" this sensitive data from informants in professional service industries, which tend to stress confidentiality. Besides, when informants were given the chance to describe the issues at hand in their own words through the narration form, this led them to reveal more about the issues they described.

2.3 Analysis methods and coding

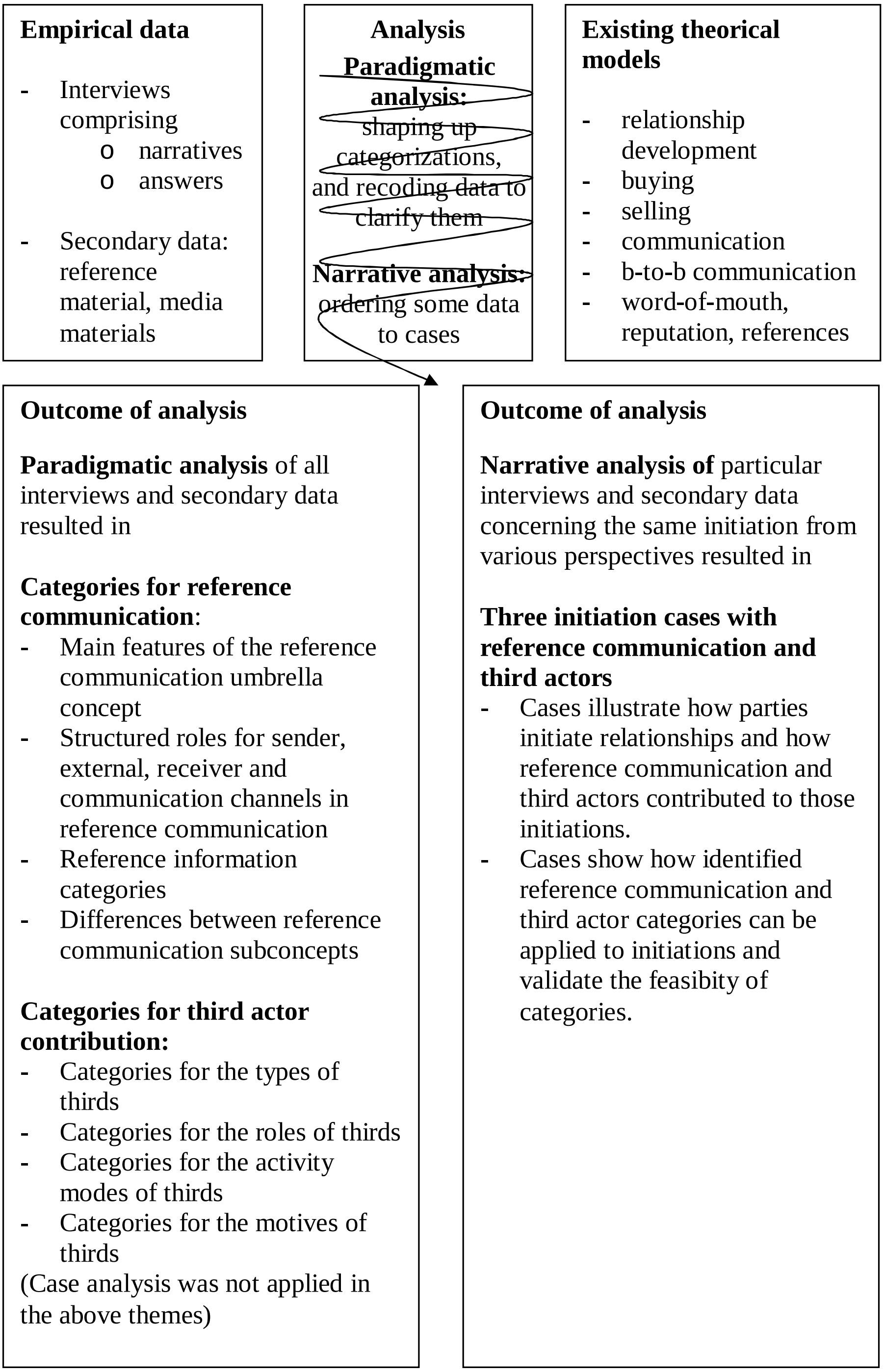
The analysis phase of this study follows the abductive research strategy; the dialogue between empirical data and theory guides the analysis, even if the empirical data have the decisive role. In theory developing studies, such as this, the systematic character of theoretical models aids the researcher in making new discoveries (Dubois and Gadde 2002). This differs from theory generating studies, in which the categories of analysis are developed from the data, and from theory confirming studies, in which the literature enables the proposal of theoretical frameworks for trial in the analysis. In this study, the ultimate goal of analysis was to locate existing theories and concepts in which reference communication, third actors and initiations were included, in order to show new connections between the concepts and theories, and to find new categories that could develop existing theories that are a better fit with empirical phenomena. The aim was also to generate comprehensive case constructions as to how relationship initiations with reference communication and third actors progress.

As the narrative approach played an important role in this study, the particularity of analysing narratives is briefly discussed next. There is a multitude of different ways in which the researcher can engage with the narrative properties of their data (Mishler 1986, Elliott 2005). Polkinghorne (1995) categorises *the analysis of narratives*, in which the data are classified in categories that can be derived from previous theories through a deductive process, or from the data in a more inductive fashion. In this analysis type, researchers are interested in the content of the narrative and focus on the actual events and experiences that are recounted in a narrative, such as the number, types, and characteristics of events, and actors. These kinds of categorical approach are close to traditional content analysis (Elliott 2005). The second category of analysis, *the narrative analysis*, takes the story itself as the object of investigation (Polkinghorne 1995). This study mostly employed the first analysis type, “the analysis of narratives”: various paradigmatic categories were identified, formed and labelled from the data in chapters 4 and 5, which deal with reference communication and third actors. In these chapters, the analysis of individual stories and other data results in paradigmatic categories for reference communication and third actors (see Figure 7).

In chapter 6, which illustrates three initiations with reference communication and third actor contribution, the analysis type changes: through “narrative analysis” the chapter provides initiation cases that are constructed on the basis of selected data. Some of the initiation stories described by several informants were gathered together to illustrate initiation paths that have emerged and developed because of the reference communication and contribution of a third actor. Each case story consists of three or four narrations from various perspectives (mostly the seller, the buyer and the third party) (see Figure 7). The cases were ongoing initiations since this strategy enabled the researcher to grasp the blurred, unclear nature of initiation and learn from ceased and failed initiations. Case studies (e.g. Yin 2003) are useful in exploring inter-organizational relationships because they capture the dynamics of the studied phenomenon in a specific context (Halinen & Törnroos 2005, Järvensivu & Törnroos 2010).

In the analysis of the data, the individual episodic narratives and answers regarding different aspects of the phenomenon were found to be more useful than the cases: narrations stressed the focal actor's perspectives and interpretation of relevant issues in the focal situation, and thus numerous narratives regarding diverse initiations from divergent perspectives revealed the diversity of the phenomenon. The large number of narrations provided a good stock of data from which to identify a range of narrow categories that are also highly generalizable and applicable to other contexts. The case construction for chapter 6 through narrative analysis was valuable in terms of providing comprehensive descriptions of how the entire initiation, with reference communication and third actor contributions, progresses and how the initiation paths appear from various perspectives.

Thus, the main part of the analysis came in the form of creating new categorizations: looking for features that distinguish one category from another, forming categories and labelling them, putting data into new categories and checking whether those are feasible, and then often splitting categories into new, narrower ones and re-labelling them, or integrating two overlapping categories. Figure 7 depicts the primary analysis, the analysis methods and outcomes.



Empirical data

- Interviews comprising
  - narratives
  - answers

- Secondary data: reference material, media materials

Analysis

Paradigmatic analysis: shaping up categorizations, and recoding data to clarify them

Narrative analysis: ordering some data to cases

Existing theorical models

- relationship development
- buying
- selling
- communication
- b-to-b communication
- word-of-mouth, reputation, references

Outcome of analysis

Paradigmatic analysis of all interviews and secondary data resulted in

Categories for reference communication:
- Main features of the reference communication umbrella concept
- Structured roles for sender, external, receiver and communication channels in reference communication
- Reference information categories
- Differences between reference communication subconcepts

Categories for third actor contribution:
- Categories for the types of thirds
- Categories for the roles of thirds
- Categories for the activity modes of thirds
- Categories for the motives of thirds

(Case analysis was not applied in the above themes)

Outcome of analysis

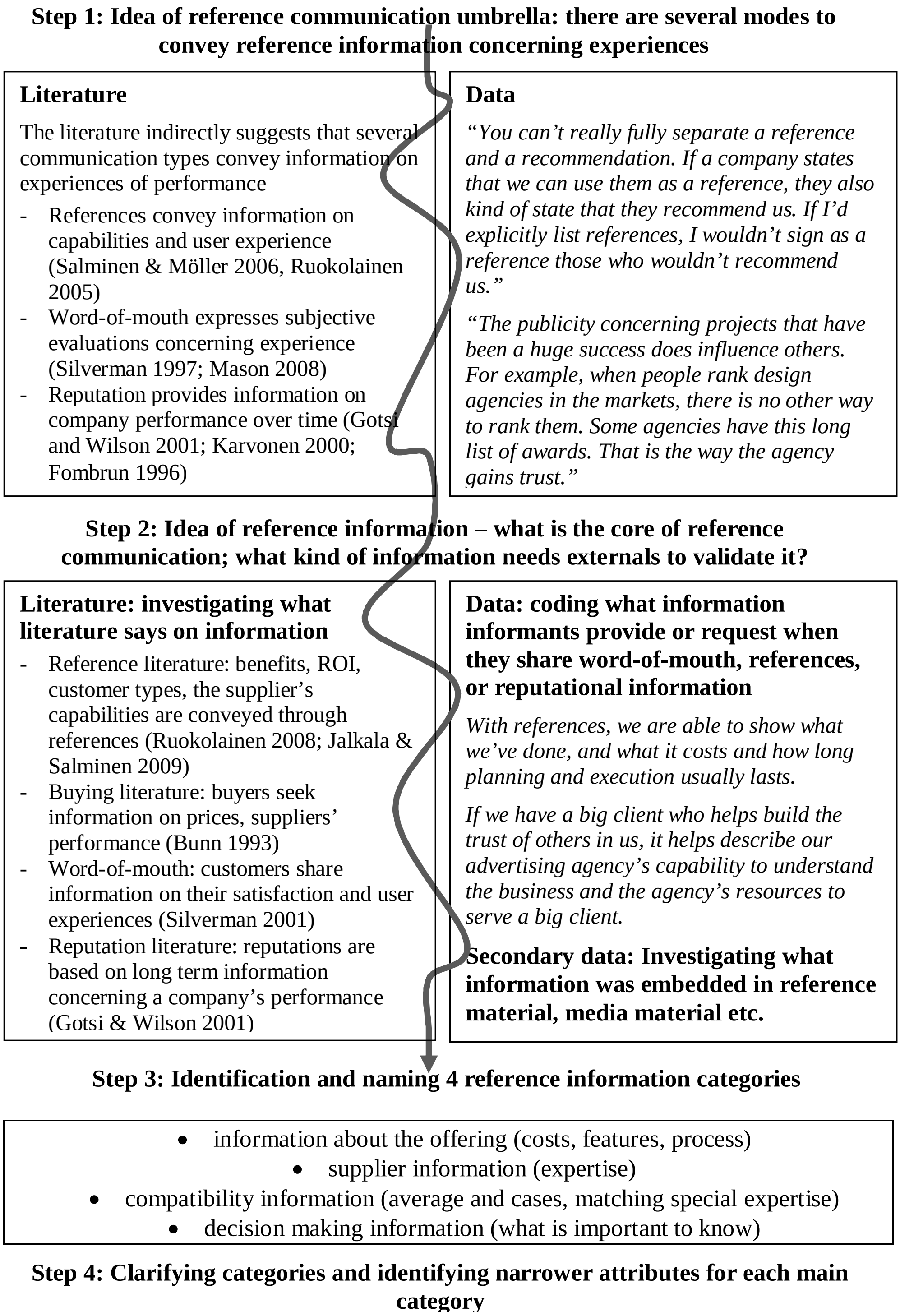
Narrative analysis of particular interviews and secondary data concerning the same initiation from various perspectives resulted in

Three initiation cases with reference communication and third actors
- Cases illustrate how parties initiate relationships and how reference communication and third actors contributed to those initiations.
- Cases show how identified reference communication and third actor categories can be applied to initiations and validate the feasibity of categories.

Figure 7 The primary analysis and the outcome of the analysis

In this study, the analysis processes related to matching theory, and reality (Dubois & Gadde 2002) focused on the kind of theoretical lenses the phenomenon was categorized by, and what kind of conceptualizations were used. The analysis related to the redirection of the research focus (Dubois & Gadde 2002) was concerned with what was investigated and what was categorized. Matching the data and theory was time consuming because various theories were checked but rejected as mismatches. The existing literature provided inspiration for the data analysis, categorizations and labels, and instead of choosing a single theory and building a framework on the basis of one theory, several theoretical tracks were combined and mixed in order to conceptualize the data driven findings. Thus, the data analysis and the search for complementary theories were parallel processes (cf. Dubois & Gadde 2002). The theoretical relevance indicates that certain concepts are deemed significant because they are repeatedly present, and through the coding procedures earn the status of categories (Strauss and Corbin 1990, 177).

There were multiple paths for how analysis and coding proceeded and how theory and data were matched in order to produce new findings and particularly categories. Figure 8 illustrates one of those paths and explicates how paradigmatic categories were developed through matching theoretical and empirical particles of understanding. Figure 8 further depicts how four reference information categories emerged and how the data and the theoretical knowledge were involved in their identification and cultivation. All the categories developed in this research emerged through sorting and comparing theoretical conceptualizations with the data. The whole coding system elaborated and progressed during the coding process. As the analysis progressed, it became apparent that several codes were related to each other and some codes needed further categorization. In the latter phase of coding, a deeper analysis of each initial category was further developed, and further components and subcategories of reference communication and third actors were developed. Often, the elaboration of coding ended up creating categories in which theory-based and data-based categories were merged. The analysis moves from the categorization of respondents’ answers in their own language to categorization employing the researcher’s theoretical categories and language (see Melo Brito 2001). Through this kind of iterative coding process, the basic categories of reference communication and third actors were identified. These two primary themes differ from each other in terms of the approaches and their theoretical backgrounds: in the communication theme, the phenomenon is structured as a matter of communication, and the third actor theme stresses networking aspects and discourse. Consequently, naming categories and structuring them was influenced by these discourses and conventions.



Step 1: Idea of reference communication umbrella: there are several modes to convey reference information concerning experiences

Literature

The literature indirectly suggests that several communication types convey information on experiences of performance

- References convey information on capabilities and user experience (Salminen & Möller 2006, Ruokolainen 2005)
- Word-of-mouth expresses subjective evaluations concerning experience (Silverman 1997; Mason 2008)
- Reputation provides information on company performance over time (Gotsi and Wilson 2001; Karvonen 2000; Fombrun 1996)

Data

"You can't really fully separate a reference and a recommendation. If a company states that we can use them as a reference, they also kind of state that they recommend us. If I'd explicitly list references, I wouldn't sign as a reference those who wouldn't recommend us."

"The publicity concerning projects that have been a huge success does influence others. For example, when people rank design agencies in the markets, there is no other way to rank them. Some agencies have this long list of awards. That is the way the agency gains trust."

Step 2: Idea of reference information – what is the core of reference communication; what kind of information needs externals to validate it?

Literature: investigating what literature says on information

- Reference literature: benefits, ROI, customer types, the supplier's capabilities are conveyed through references (Ruokolainen 2008; Jalkala & Salminen 2009)
- Buying literature: buyers seek information on prices, suppliers' performance (Bunn 1993)
- Word-of-mouth: customers share information on their satisfaction and user experiences (Silverman 2001)
- Reputation literature: reputations are based on long term information concerning a company's performance (Gotsi & Wilson 2001)

Data: coding what information informants provide or request when they share word-of-mouth, references, or reputational information

With references, we are able to show what we've done, and what it costs and how long planning and execution usually lasts.

If we have a big client who helps build the trust of others in us, it helps describe our advertising agency's capability to understand the business and the agency's resources to serve a big client.

Secondary data: Investigating what information was embedded in reference material, media material etc.

Step 3: Identification and naming 4 reference information categories

- information about the offering (costs, features, process)
- supplier information (expertise)
- compatibility information (average and cases, matching special expertise)
- decision making information (what is important to know)

Step 4: Clarifying categories and identifying narrower attributes for each main category

Figure 8 Analysis path and steps towards final categories: an example of reference information

In order to analyze the data in a structured fashion, the interviews were firstly transcribed. An outsourced transcription service (Näkövammaisten litterointipalvelu) was used. The transcription followed the broad transcription process that indicates noticeable phonetic features of an utterance and represents its phonemic structure. Each transcribed tape was checked by the researcher. In analyzing the data, computer-aided analysis with QSR N'Vivo was employed because of the large number of interviews, and because the empirical foundation was emphasized. Software programs are good tools for structuring the analysis and managing the data as they assist in the analysis of differences, similarities and relationships of phenomena, develop typologies, code text segments with similar features under the same category, and retrieve and search for text segments that were allocated the same category (Kelle 2004, Bazeley 2007). This usually amends the comparison of categories and amends the formation of typologies and theory construction (Kelle 2004).

The software cannot categorize and interpret the qualitative data (cf. Melo Brito 2001, Frow 2007) as that is the researcher's task. In this research, the analysis software did in fact help the researcher in qualitative data analysis phase for several reasons: as the interviews involved a large amount of rich data with various categorization possibilities, the software was very helpful in managing this. The program allows very rich data to be coded in many ways, which helps when relating and exploring the categories. Moreover, the program was used particularly as a tool to code and retrieve segments of text. The program's systematic searches helped find common features and reveal patterns in the data. The software provided a simple sorting process with which the categories could be marked easily and the sorting and searching functions facilitated the management of large amounts of data. Third, during the analysis, the codes could be further elaborated and the software was a flexible enough tool to enable this; the categories were easily relinked and restructured as the system allowed codes to be changed relatively easily.

In the first phases of analysis the production of *codes* is directly related to the data, but when the analysis progresses they become more differentiated and abstract *categories* (Böhm 2004). Coding starts from the identification of relevant key themes and later these identified themes in the data are put into categories with "items" that share similar features. Therefore the researcher firstly needs to find these similar common features within the data and secondly to find relations, similarities, distinctions and structures between identified categories. Coding is also conceptualizing, which is demonstrated when the empirical phenomenon turns into codes and the abstraction level increases (Goffey & Atkinson 1996, 26–31). In this study, the coding and interpretation of data included two simultaneous activities, the conceptual operations described above and the mechanical tasks that were marking the relevant segments of text and adding coding labels to these segments. In this research, each transcript was thoroughly examined and coded line by line. The inspiration to categorize and label the categories sometimes came from existing theories and conceptualizations; for example, reference, reputation and word-of-mouth concepts were identified and coded. Sometimes codes and labels originated from data more inductively. For instance, free nodes were created when they seemed important and thus some purely data driven categories emerged. After the first coding rounds the first potential themes and approaches were chosen. The final themes and codes are outlined in the appendices.

One of the challenges was to identify the key concepts of the research within the qualitative freely produced narrative data. For example, “references”, “reputation” and “the third actor” occurred in interviews through various expressions because respondents were allowed to describe reference communication and third actor contribution in relationship initiation through their own narration and choice of words. The expressions were for example, “huhut kulkee/it’s rumoured” (reputation), “näkee mitä ne on aiemmin tehnyt/you can see what they’ve done earlier” (references) and “ja se kertoi meistä eteenpäin/and he told them more about us” (word-of-mouth). Several respondents stressed that it is important to perceive signals of reference communication from other parties and also to send such signals. Often this was described as hearing stories and testimonies from customers and experts, calling colleagues or acquaintances for help and recommendations, seeing and touching reference equipment (such as monitors and lamps), and visiting factories. These events and incidents were coded as manifestations of the focal phenomenon.

The secondary data (e.g., reference material, reputational material and award material) were analyzed using short and brief qualitative content analysis. In qualitative content analysis, the procedure can follow an inductive category formation that is used to develop categories gradually from some material (Mayring 2004), and this procedure was in fact used. Secondary data were iteratively analyzed, for example, in terms of what reference information was embedded in diverse reference communication materials, and who or what the third actors were (see also Figure 8). The analysis of the secondary data aimed to employ and elaborate the categorization that was emerging from the analysis of the primary interview data, and therefore the same categorizations were used in the analysis of both data sets (see Appendix 5). In qualitative content analysis, the data should be fixed or somehow recorded (Mayring 2004), and therefore this data set consisted mostly of written web pages, brochures, announcements and presentation slides (see appendices 7 and 8). The content analysis of secondary data supported the formation in particular of reference information categories (e.g. section 4.4.4.) and third actor categories.

Furthermore, the analysis of selected data resulted in three initiation cases. In the last empirical section, the case descriptions of initiations are written in a story-like fashion as coherent narratives, even if they are constructed from a variety of materials and interviews. The first step in the construction and analysis of these cases was to classify the relevant data in the form of a chronological listing of events, and to identify critical incidents in initiation.

The subsequent interpretation phase involved the organization of the data into themes related to the initial theoretical framework: the key initiation processes, reference communication, and third actors involved in initiations were explored and constructed as themes. The perspectives of different data sources were compared. According to Czarniawska (2002), there are often different stories behind the main story, but usually there is also “the voice of the majority”, whilst differences are minimized by presenting them as variations of the same story. Czarniawska argues that on the basis of information gathered in fieldwork the researcher writes “the one true story” of what “really” happened, even though the equilibrium of the main plot is often mixed up with distinct voices and events. According to Czarniawska (2002, 742–743), the researcher still has a responsibility to respect the respondent, and that in a multivocal story there are many narratives, as in a postmodern novel; all tell the story, and the researcher does not have to take a stand on whose is “right” or “wrong”. Czarniawska proposes that the researcher could imitate a fiction writer’s literary role: “sometimes it is not to say, which story is correct, but to make the reader understand why the stories differ as they do” (p. 743). In this report, initiation tales are smoothed, but different kinds of perception of the issues are still brought forth.

2.4 Reporting

The narrative approach also impacted the reporting of this study, because it suggests that reporting is also narrating, and research reports are actually the researcher’s narrative constructions of the research. In other words, the researcher should choose the point, the purpose and topic of the research, and build “a plot” by integrating elements from the theoretical and empirical world, having a self-awareness of how those actions affect the research. Reports traditionally begin with references to the previous literature and build a new “narration” on the basis of the previous literature, knowledge and the focal empirical data (Heikkinen 2000, 50).

Moreover, Dubois & Gadde (2002, 560) note that *what we learn* is presented in research reports through the theoretical framework, but *how we learn* is usually passed over, and therefore they suggest that the research community should attempt to reveal such learning processes in more depth. Research is frequently a frustrating and messy enterprise with false starts, but in published work it is more often than not presented as a logical progression of stages (Elliott 2005), and the research process or the emergence of the cases are seldom reported (Dubois and Gadde 2002). Matt (2004) notes that the traditional realistic presentation concentrates only on results but does not demonstrate the experiential side of the research, such as the multiple experiences of the data collection process or the vitality and colourfulness of the research issue. The narrative approach challenges the researcher to reflect on his/her own position, knowledge and relations to the focal research, when she/he writes the research report as an outcome of the research (Saastamoinen 1999).

Alvesson and Skoldberg (2000) emphasize reflexivity, which means the tendency to examine and analytically reflect upon the role of the researcher in carrying out and writing up empirical work, but it is however most often emphasized in the context of the collection of data and the relationship of the interviewer to the respondent than in relation to the data analysis, and the ‘writing up’ of results (Elliott 2005). According to Elliott (2005, 155) qualitative researchers could discuss more analytically how their own theoretical perspective impact their interpretation of the research evidence, and the form in which the research is presented. Van Maanen (1988, see Elliott 2005) has provided a detailed analysis of different approaches to writing about research. *The realist tale* is perhaps the most common type of research account and its distinctive feature is the absence of the author from the text, the implication of this is that the identity of the researcher is irrelevant to the process of the research. *The confessional tale* is an attempt to demystify the process of fieldwork by documenting the practical elements of the research process. The author is highly visible within the text, and confusions, difficulties, and the fieldworker’s relationships with informants are edited in the research report. The third type is *the impressionist tale* that is closest to narrative in its form because such types follow the chronology of the research.

As this study was strongly inspired by the data and the process was heuristic, the study aims also to report the iterative research process and reveal the logic beneath the process, instead of masking the study as a smooth deductive process. The researcher read numerous abductive dissertations and articles in order to find an appropriate way to report the research and not use a conventional “realist tale” style. However, in most abductive dissertations the reporting followed the deductive reporting style. Therefore, one of the goals of this study was openly to structure the report so that the reader can still be aware of the iteration and learning during the research. The chosen reporting style constitutes an attempt to seek new options in reporting abductive research, which enable the discussion between theory and empirical data in a more veracious way, and thus find alternative ways of reporting abductive research instead of using reporting conventions that rest on deductive logic.

Therefore, the reporting style of this study aims to achieve a compromise between the chronological iterative research process (the logic of the research process) and the thematic structure of the phenomenon (the conceptual hierarchy of the research topic). The relevant literature is reviewed at the beginning of each chapter after describing the phenomenon, and a clearer link between the empirical data and the theory is formed after the results. Some major "violations" were undertaken to make the report more comprehensive and run more smoothly. For example, the chapter on relationship initiation launches the theoretical development process, even though the initiation aspect was identified last. Because reference communication and third actors contribute to initiation, a theoretical understanding of initiations was needed, and was therefore placed at the beginning. The idea of structuring each chapter is that at the beginning of each there is a "clear phenomenon in the empirical field" and a "fragmental theoretical framework to conceptualize the phenomenon", while at the end there is "a clear theoretical frame" and "fragmental empirical notions to illustrate the frame".

Due to the data driven orientation, the data play an important role in reporting: there is a broad assortment of citations in the result chapters, in order to expose the "voice of informants" (see Czarniawska 2002). The citations are used widely to reveal how informants described the phenomenon in their own words, and on what kind of basis the researcher made her interpretations and categorizations.

When allowing multiple voices and narrations in research reporting, problems related to confidentiality in reporting might occur**.** It is a key ethical principle that the anonymity and privacy of informants is respected (Elliott 2005). However, once attributes and experiences are ascribed to a particular case in a research report it can be very difficult to ensure that the case does not become recognizable due to the unique nature of case histories and the specific constellation of attributes the individuals and actors are likely to be identifiable by, at least to those who know them (Elliott 2005). Elliott (2005, 143) refers to Lieblich's sociological study about a kibbutz community, where sixty-one individuals' narrations were meant to be included in a book. However, some of informants asked to withdraw their stories from the research. Once the book was published and read by the members of the community a new ethical challenge arose because the research publication revealed the experiences of the participants through the narrations to other community participants and these disclosures harmed relations between members. For example, one mother was upset by the stories of her daughters since they revealed the negative experiences of her daughters. Similar risks and ethical challenges will also occur in business research. For example, when studying a relationship or a network, several actors with differing views will be involved, and other parties may recognize the actors and individuals behind the stories. Negative disclosures can be harmful to business relationships. In this study, business actors' views on the same initiation, and in particular critical opinions of events, could harm their business relationships in the future. None of the companies or people involved in this study was named in detail, in order to preserve their commercial confidentiality and anonymity.

The sensitivity and informality of the phenomenon also raised some challenges in reporting. As the respondents often stressed that "I'll tell you this but you can't report it", some stories and cases can be found in the recorded tapes but could not be presented in the report. However, these hidden stories helped in understanding the phenomenon or the focal situation, and thereby helped identify some critical and sensitive features of initiations, reference communication and third actor contribution. Usually, sensitive comments and issues are employed soundly in the analysis phase but reported in an anonymous or indirect way.

2.5 Evaluation of the empirical study

Studying the chosen aspects – reference communication and contributive third actors – was challenging since, as is often acknowledged (see Helm 2003, Cornelsen & Diller 1998, Gremler & Brown 1999), these aspects are difficult to capture and measure. Also, the sensitive nature of the studied phenomenon raised some access and reporting problems. The informants were suspicious of revealing their reference communication activities, which were based on tacit knowledge and confidential relationships with personal third parties. The narrative interviewing method and the creation of a trusting, open atmosphere during interviews were conducive to acquiring data on reference communication, initiation and third actors in confidential circumstances.

The research evaluation criteria objectivity, validity and reliability originate from the evaluation criteria of quantitative research, while triangulation and the validation of the interview situation are significant independent criteria for qualitative research (Steinke 2004). For example, research documentation (collection method, data documentation, documentation of analysis methods, documentation of information sources and problems) enables an external public to follow research step by step and evaluate its process and the result derived. To that end, this research supplies a precise description of the data gathering methods employed, their analysis and the problems that occurred during the research.

Critical discussions about the narrative method (see Flick 2002) have emphasized the limitations of narratives as a data source, and therefore the research question is guiding, whether narratives suit it or not, and other sorts of data should be combined with it. Moreover, it is important to note that narratives do not enable the researcher to gain access to factual experiences and events (Flick 2002). In this research, secondary data and interviews from various perspectives enabled access to relatively precise views of events.

Triangulation – the use of complementary methods, theories or data – is intended to compensate for the one-sidedness of the research and lead to a broader and deeper understanding (Steinke 2004, Flick 2004b). In the analysis phase, theory triangulation was employed, since several theories were used within the three research themes, and the same phenomenon is studied through several kinds of theoretical lens (see figures 7 and 8). Also data triangulation was employed, since the study exploits different kinds of data type. First, interviews were used as primary data and various materials were linked to reference communication as secondary data, and secondly, narratives and answers can also be considered to be different kinds of data and the outcomes of interviews, and thereby enable the employment of triangulation "within the method" (Flick 2004b).

Using a narrative interviewing method may enhance internal validity because the method prevents an interviewee's experiences from becoming fragmented, and the method might produce data that are more accurate, truthful, or trustworthy compared with structured interviews that ask each respondent a standardized set of questions (Elliott 2005). Internal validity can also be improved by the use of narratives because participants are empowered to provide more concrete and specific details about the topics discussed, and to use their own vocabulary and conceptual framework to describe their experiences (cf. Elliott 2005).

However, narrating is not easy, and people have different levels of competency in doing so (Flick 2002, Coffey & Atkinson 1996). Some narrators possess excellent communication and narration competences, and the form of narration can overtake the actual content of the narrative (Coffey and Atkinson 1996). Furthermore, the compatibility of the interviewer and interviewee, in matters such as gender, similarity and familiarity, can affect the gathering of narratives (see Burns, Williams and Maxham 2000). In this research, some narrators were highly active and fluently provided numerous narratives and answers. However, ensuring a supportive atmosphere during interviews, and the encouraging role of the interviewer, enabled reticent interviewees to present their view.

3 INITIATIONS OF BUSINESS RELATIONSHIPS

As there is only a little research focusing on initiations of relationships (Edvardsson et al. 2008), this section aims to capture the essence of initiations within diverse initiation related literature streams.

The comparatively small amount of research conducted on initiations might be due to the characteristic that initiation is an unclear event. The relationship can start from the first contact or require a long warm-up before the first deal is made (Holmlund and Törnroos 1997, Halinen 1997). Relationships may emerge from a wide variety of starting conditions, such as pre-existing friendship ties and the search for a party with the required resources, or the brokering activities of "cupids" (Ring & Van de Ven 1994). As a result, the occasion when the relationship begins is difficult to define. According to Edvardsson et al. (2007, 4), researchers have adopted a rather indefinite definition of when a relationship begins, and "the starting point" is usually related to a need or motivation (Frazier 1983, Ring & Van de Ven 1994), interest, search (Wilson 1995) or the awareness of a feasible exchange partner (Dwyer et al. 1987). Another challenge in studying the initiation of a relationship relates to the definition of "relationship". Holmlund and Törnroos (1997) define a relationship as "an interdependent process of continuous interaction and exchange between at least two actors". Some relationships are relatively short term or may comprise only a few episodes (Holmen et al. 2005). It can be asked; does a relationship initiation occur when parties' first exchange processes emerge or does a positive long-term oriented attitude have to be present?

The previous literature lacks a clear definition of initiation, and only in recent research has a conceptualization been provided, by Edvardsson et al. (2007, 3), who define the initiation process as follows: "[Initiation] starts when the companies in a potential relationship recognize each other and ideally ends when a business agreement is reached." In this research, the initiation is understood as a dyadic process starting from awareness, and ending in an agreement, an order or an assignment, that in the best cases leads to a business relationship. The initiation has been labelled with diverse terms such as forming, building or creating relationships, or as the "birth" of relationships (Frazier 1983, Holmen et al. 2005, Edvardsson et al. 2008).

Since there is no solid research history on initiations, this section will examine a broad scope of approaches in order to build the initial conceptual understanding of what happens in the initiation of a business relationship. In the relationship development literature (Batonda & Perry 2003, Ford 1980, Dwyer et al. 1987, Ford 1980, Halinen 1997, Andersen 2001, Wilson 1995, Batonda and Perry 2003), the initiation is considered the first phase and the launch of a relationship development process, but these models do not closely focus on the initiation phase per se (Ford 1980, Dwyer et al. 1987, Batonda & Perry 2003, Halinen 1997). In the light of the selling literature, initiations can be related to customer acquisition activities and marketing communications, as a seller aims to acquire new customers (Moncrief and Marshall 2005, Jaramillo and Marshall 2005, Waller 2001). From the buyer’s perspective, initiations can be related to a buyer’s consideration of and search for new seller parties, a process which in the buying behaviour literature is described as a rational decision making process (Webster & Wind 1972, Sheth 1973, Johnston and Lewin 1996). The selling and buying literatures distinguish various activities during the beginning of an exchange, but they concentrate only on one party’s perspectives and usually illustrate the process without relational aspects. Furthermore, in the networked business context, initiations can be triggered or mediated by network actors and existing network relationships (Ritter 2000), while the IMP-network literature suggests that network effects might impact relationship creation (Ritter 2000, Holmen et al. 2005). Social relations are also related to the topic, since the role of personal relations and social networks as the foundation for building new business relations is widely acknowledged (Larson 1992, Ellis 2000, Uzzi 1997, Granovetter 1985). These approaches and disciplines follow different kinds of research tradition and ontological assumptions, but they all provide aspects of enrichment to the initiation process.

Because individual literature streams do not provide a consistent detailed description of what happens when buyer and seller parties aim to initiate, this chapter examines more closely the elements of an initiation process. By looking at the existing relevant models, the chapter aims to provide an orientive analysis of initiations, and to identify the critical processes in which reference communication and third actors contribute.

3.1 Initiation as a launch phase of relationship development

The relationship development approach considers initiation to be the first phase in the development of a relationship. In some models the first phase and the latter phases are described as a sequential progression of change processes through stages (Ford 1980, Dwyer et al. 1987), whereas some writers consider the initiation and the latter phases as more unstructured and unpredictable states and statuses (Halinen 1997, Batonda and Perry 2003, Edvardsson et al. 2007). Wilkinson et al. (1994, 2005), instead, totally reject the stage and state thinking and introduce the concept of business dancing and matching. These diverse models despite their different emphasis assume that an initiation is launching a relationship that is developed further.

The stage models of relationship development conceptualize the change process as a gradual development in a sequential manner, consisting of distinct steps or periods of development with incremental and irreversible stages (see Batonda & Perry 2003). In the most cited stage models (Ford 1980, Dwyer et al. 1987), the initiation process advances through one or two phases from ignorance to the first negotiated deal. In both models, there is a "pre" stage without dyadic communication and a "bargaining" phase when the actual dyadic interaction begins. Ford (1980) separates a *pre-relationship stage* and *early stage:* in the pre-relationship stage, the customer starts to evaluate new potential suppliers since a particular episode in an existing relationship or other information sources initiates such evaluation. Experiences in existing and previous relationships provide the criteria by which the potential of a new partner is judged, but still the buyer faces uncertainty about the potential costs and benefits which are likely to be involved in dealing with a new supplier. During *the early stage* the parties negotiate much more about the first delivery because they are likely to have only a little experience of each other and uncertainty is high, among other reasons. The distance between parties is also still high since there is a lack of knowledge at an organizational level between the buying and selling companies, and a lack of personal relationships at the social level. The distance between the buyer and the seller consists of social distance (the individuals and organizations are unfamiliar with each other's way of working), cultural distance (norms, values or working methods differ), technological distance (the differences between technologies), time distance (time between contact and order and the actual transfer exchange), and physical or geographical distance between the parties. As parties have a restricted view of what they require of each other, or what they hope to gain from the relationship, "many of the judgments made of each company will be on their reputation, as a substitute for experience of their abilities."

In Dwyer, Schurr and Oh's model, (1987) the first stages – awareness and exploration – can be considered constructions of initiation. In the *awareness phase* one party recognizes that another party could be a suitable business partner, but actual interaction does not yet exist. Awareness is a unilateral, pre-exchange process consisting of unilateral positioning and posturing by the parties. Mutual considerations and dyadic interactions initiate the *exploration phase*, which is basically a testing period for the relationship, since parties are able to experiment the goals and performance of each other. In this phase, the parties begin to explore the possibilities of exchange; attraction is created, parties communicate and bargain, power issues are formulated, norms and expectations are developed. The attraction during the exploration phase is affected by tangible and intangible rewards, such as similarity of beliefs, values, personality, or complementary resources such as money, information and status. Building trust is also crucial in the relationship development, and trust is related to the reliability of threats and promises. The exchange might easily be terminated at this stage.

Some researchers suggest **state models** because they reject the lifecycle-like logic of stage models with unpredictable states, but adopt the idea that there are blurred states, in an indeterminate form and order (e.g., Halinen 1997; Batonda and Perry 2003). In the state model literature, for example complementary needs and resources between parties, the personal awareness of the other party's goals, needs and resources, and common interest in building a relationship as the prerequisites for starting a business relationship (Halinen 1997) which thus can be linked to processes of initiation.

Some writers amalgamate **stage schemes with state schemes** and also in these models an initiation phase can been distinguished. Batonda and Perry (2003), for example, integrate previous models and found empirical evidence of the existence of five phases in network's relationship development; searching processes, starting processes, development processes, ongoing maintenance processes and termination processes, of which the two first can be considered "initiation": *a relationship's searching processes* consist of a search for and a trial of potential exchange partners without commitment and evaluation based on economic and social aspects. *The relationship starting processes* consist of the testing and probing of goals and compatibility, the identification of inter-firm and interpersonal dynamics, and selective entry based on abilities and the long term compatibility of partners. Additionally they found a dormant phase that can re-activate the process. The identified stages can progress in unpredictable ways without a step-by-step sequence, so that some stages can be skipped or the sequence can be reversed. Batonda and Perry (2003) note that stages models do not discuss factors which move partners from one stage to another.

Edvardsson et al. (2007, 2008) are the first who focus on the initiation phase and conceptualize the dynamics in the relationship initiation processes from the recognition to the business agreement. They argue that an initiation does not presume progress and that stage models are not adequate enough to describe an initiation process since they lack the explanation of why the initiation proceeds to a relationship. They conceptualize initiation with *statuses* (termed unrecognized, recognized and considered), and positive and negative *forces* (converters and inhibitors) and analyze how various converters and inhibitors move the relationship to the next stage – or prevent progress. In the unrecognized status the parties do not know each other or the buyer does not recognize the seller. When parties move from the unrecognized to the recognized status, one-sided or two-sided awareness and social relations are built. The positive forces such as converters – that are the timing of specific activities, trust, offering and competence – speed up or slow down the process. The negative forces, the inhibitors, hinder the process from proceeding or reverse it. The inhibitors are bonds, risk and image. The latter means that the buyer's overall perception of the seller is based on communication, earlier experience and the experiences of other companies. An initiation process may start from different statuses and be held up for an indefinite period of time. The initiation of a relationship can start and stop or even end in each status. Furthermore, empirical findings by Edvardsson et al. (2007) revealed that the main challenge of the seller is not the building of awareness, but proceeding further so that the initiation process is not halted or reversed. They also emphasized that the initiation process is not solely driven by the seller's marketing activities.

Moreover, there are also **other models concerning the development of a relationship**, which review enriches understanding of initiation. For example, Larson (1992) studied developmental processes and common evolutionary patterns among alliances and concluded a process model. Preconditions for forming new relationships are based on social embeddedness and trust. In other words, relationships are invoked by people whose reputations and trustworthiness had already been established. Personal reputations as well as firm reputations and prior social relations form a foundation for a dyad by reducing uncertainty, clearing expectations and enhancing early cooperation and thus it provides a receptive context for the evolution of strategic economic exchange. During the next phase, the conditions of the dyadic relationships are built and mutual economic advantages are explored, trial periods are executed, expectations cleared and trust is built. Larson also empirically noted *the need for an initiator* as one party has to act as an initiator and manifest its willingness to further a relationship.

Andersen (2001) investigated the role of communication in relationship development and illustrated how communication plays a central role in providing an understanding of the exchange partners' intentions and capabilities, thus forming the groundwork for relationship development. For example, through communication parties can enhance their own attractiveness, reduce distance, and build expectations and trust. He chops relationship evolvement into three literature driven processes: a pre-relationship phase, a negotiation phase and a relationship development phase. *In the pre-relationship phase* the decision maker evaluates the utility of new potential suppliers and compares them against the present alternatives. As knowledge of the benefits and costs of prospective suppliers is low in the pre-relationship phase, decision makers seek information from friends and business colleagues on the reputation of prospective suppliers along with other sources of information in order to narrow and rank a set of potential suppliers. Andersen states that the relationship marketing approach tends to play down the role of supplier initiated marketing communications in the pre-relationship phase, even though one-way communication, such as advertising, helps the supplier to develop an attractive profile that motivates the buyer to look for information on suppliers. Negotiation phase starts when any type of bilateral interaction starts and communication between a buyer and a seller turns into a dialogue. In this phase, partners still often evade issues and hint only at their own preferences while still evidencing interest in the exchange partner's goals (Andersen 2001).

Frazier (1983) studied interorganizational exchange within marketing channels to explain the initiation, implementation, and review of ongoing channel relationships. According to this study, the initiation process begins when the firm perceives a *need* and has a *motive* to form an exchange relationship, but the awareness of the firm's need for additional resources can also be facilitated by external agents from other firms or current customers. When the firm's need is perceived to be intense enough, it starts to *search* for suitable exchange partners. Initially, "general" information on rewards associated with alternative exchange partners may need to be assembled, possible sources of such information being salespeople and personal friends. This is used in forming a set of potentially accepted suppliers, an "evoked set", on whom he/she will collect more specific information. Personal contacts will be made and the benefits of an exchange relationship will be discussed. From these discussions, parties will form beliefs about the expected rewards and the investments required over time. The persuasiveness of the alternatives' representatives will thus play a crucial role in the development of the source's belief structure.

Wilson (1995) integrated previous models to study buyer-seller relationships with emphasis on channel relationships and strategic alliances. He proposed a five stage model, in which the initiation can be attached to the search and selection phase. Wilson identified the variables that are focused on in some stages and latent in other stages of relationship development. In the early phases of relationship development, the variables such as reputation, performance satisfaction, trust, social bonds, comparison level of alternatives, mutual goals, and power are the most important. In early phases, it is difficult and sometimes even impossible to compare alternatives, and selection has to be made in the light of reputation and preliminary discussions and therefore the buyer scans performance verification, even though executing trials and testing activities is sometimes difficult. Wilson (1995) emphasizes the role of social bonds in the early stages, since trust and compatible personal chemistry are important variables for successful relationships. As buyers and sellers start to interact, they exchange information, become acquainted and allow trust to be built, especially when one partner earns the respect and trust of the other and such interaction will also shape the future of the relationship. Wilson argues that the partner search and selection stage is a more active stage than is implied in the “awareness” stage in the Dwyer et al.’s model. During the next phase, defining the purpose of the relationship, the partners clarify their goals and the breadth of purpose or the scope of the goals.

In Ring & Van de Ven’s (1994) model that described through what kind of developmental process of cooperative inter-organizational relationships emerge, grow and dissolve. They conclude that the development process consists of negotiation processes (when expectations are formed and communicated), commitment processes (when rules and contracts are established for future actions) and execution processes (when commitments are carried into effect). In negotiations processes, the parties develop joint expectations about their motivations, investments and risk. Firms go through formal bargaining processes as they select, approach, persuade and haggle over the terms and procedures of a potential relationship. At the same time, they also go through the social-psychological processes of sense-making. Ring & Van de Ven argue that when relationships emerge, expectations and values need to be congruent among the parties. In particular, sense-making processes permit parties with initially different views to achieve congruency in their relationship (cf. distance in Ford’s relationship development model).

The existing literature on relationship development provides also **mating conceptualizations** that do not emphasize the process aspect but the nature of initial interaction. Wilkinson and Young reject the idea of stages and introduce the concepts of business dancing (1994) and business mating (2005) to relationship formation. The mating metaphor emphasizes the search for compatible partners, whose characteristics make a good match. The parties evaluate the quality of the opposite party’s “genes”, which are the skills, routines, competencies and relations that determine the success of a relationship and which are communicated, in part, by a firm’s position and performance in the marketplace. During the relationship formation process, the parties become involved in a joint choice, i.e. choosing and being chosen (Wilkinson et al. 2005). Wilkinson et al. (2005) regards attraction as being based on a combination of similarities and differences or complementarities, with the need for similarity concerning similar business environments and market positions. Thus, firms create relationships with partners who are geographically, socially or psychically proximate to them and who share a similar business philosophy and objectives and attitudes (Wilkinson et al. 2005). Attraction is also based on expected value from the relationship, because firms co-produce value for each other and for other firms in their networks through their interactions over time (Wilkinson et al. 2005). Elsewhere in the literature this aspect is analyzed also by Leonidou (2004), who believes that both the supplier and buyer may take an active role because both are involved in the search for suitable trading partners. He found that, during the initial phases of a new business relationship development, particularly the seller experiences insecurity and anxiety, because it is aware of the buyer's doubt about the appropriateness of the supplier and its ability to provide the promised offering.

In sum, the relationship development literature describes the content of "phase" as a relationship between two parties emerges. It tends to include three kinds of activities, *searching processes that lead to awareness building*; *compatibility testing and building preconditions that lead to social bonds and trust building*, and *mutual negotiation processes that lead to definitions of expectations and common goals*. The labels for the "initiation phase" and the processes and activities linked to this phase are presented in Table 2 which summarizes how "initiation" is included in the existing relationship development literature.

Table 2 A review of initiation as a phase/stage/state/status and the identified relational initiation activities

Author and the model	***Phase considered as "initiation"***	***Initiation processes and activities identified in the description of phase***
Stage models		
Ford (1980) Buyer-seller	Pre-relational stage	Evaluation, using reputation as a substitute to reduce distance
	Early stage	Negotiation
Dwyer, Oh and Schurr (1987) Seller-buyer	Awareness phase	Building awareness, one way communication
	Exploration phase	Attraction is formulated, bargaining, expectations are built, testing future goals
State model		
Halinen (1997) Buyer-seller	Preconditions	Attraction Awareness of other party's goals, needs and resources Common interest in building a relationship
Status models		
Batonda and Perry (2003) Interfirm network relationships	Searching processes	Recognition of need for going into a relationship Searching for potential partners from outside and inside sources; Finding information and cross-checking partners' competence; Looking for a match between buyer need and supplier capability; Evaluation and selection of potential partners based on personal social and economic attributes; Activating business relationships from a personal pool of contacts or personal relationships
	Starting processes	Making initial contact through direct visits, direct contact or through introduction by a trusted third party Presenting the purpose/ opportunity Establishing rapport, testing of personalities and compatibility of partners Testing/probing of goals and compatibility
Edvardsson, Holmlund and Strandvik (2007, 2008) Buyer-seller	Unrecognized status	The parties do not know each other or the buyer does not recognize the seller
	Recognized status	One- or two-sided awareness and social relations are built
	Considered status	
Other models		
Larson (1992) Network relationships	Preconditions	Reducing uncertainty, clearing expectations, enhancing co-operation with prior social relations and reputation
Andersen (2001) Buyer-seller	Pre-relationship phase (and negotiation phase)	One-way communication, awareness building Two-way communication, risk reduction, attraction, building expectations and trust
Frazier (1983) Interorganizational marketing channels	Initiation process	The motive or need arises Scanning potential intrinsic and extrinsic rewards Information gathering
Wilson's model (1995) Buyer-seller	Search and selection (and defining purpose)	Performance scanning Social bonding Communication to establish comparison level Trust creation Expectations Screening mutual goals and shared values
Ring & Van de Ven (1994) Cooperative inter-organizational relationships	Emergence of relationships	Negotiation processes: expectations are formed and communicated Commitment processes: rules and contracts are established for future actions Execution processes: commitments are carried into effect
Wilkinson, Young and Vagn Freytag (1994, 2005)	The dance invitation	Matching

3.2 Initiation from parties' perspectives

The formation of a business relationship implies buying and selling, and a review of those processes reveals aspects of the parties' activities and roles during initiation. The buyer and seller processes are almost mirror images: the buying literature stresses a rational decision making process, in which the buyer evaluates the identified potential seller parties and aims for an optimal decision by reducing risk and negotiating, whereas the selling literature emphasizes how the seller approaches prospects through marketing communications, customer acquisition and performance verification activities (see Figure 9).

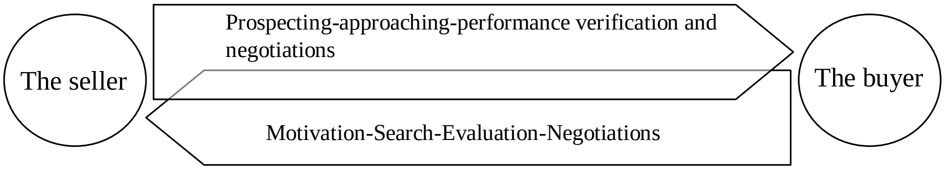

Prospecting-approaching-performance verification and negotiations
The seller
The buyer
Motivation-Search-Evaluation-Negotiations

Figure 9 The initiating actors "buyer" and "seller" and their activities linked to initiation

3.2.1 The seller's initiation activities and processes

From the seller's perspective, the initiation can be linked to a selling process model originally developed by Dubinsky (1981) and further elaborated by Moncrief & Marshall (2005): During the selling process, the seller aims to define and prospect potential customers, pre-approach and approach them, present the firm and the offering, counter objections and, as the final step, maintain the customer in the long term. In prospecting, sellers *search for and evaluate new potential customers*: they need to *define specific customer groups and prioritize them* in terms of potential importance to the firm (Ingram, LaForge and Leigh 2002), and formulate segmentation in order to target actions to more homogeneous groups of customers (Broch et al. 2003). Some of the typical methods of prospecting are referrals and networking (Moncrief & Marshall 2005). The pre-approach refers to activities such as *conducting research on potential customers and their needs* and pulling together relevant material for the actual sale (Moncrief & Marshall 2005, Jaramillo & Marshall 2004). The seller often approaches the potential clients, and initial contacts are usually made on the basis of potential benefits or through referrals or introductions. In the following presentation, phase *selling points are presented* and visualized (Moncrief & Marshall 2005). As an important part of the selling process, the seller needs to demonstrate its ability to resolve the customer's problem: the seller party needs to express that it understands the dimensions of the problem and is able to provide a solution to the problem. During sales presentations, a salesperson can provide more in-depth knowledge and choose which information to show and how to target it to the specific prospects (Moncrief & Marshall 2005). The seller can also adopt a buyer initiated information revelation and allow buyers to determine which features to inquire about (Bhardwaj, Chen & Godes 2008).

The nature of sales activities has changed dramatically over recent decades due to advances in technology, heightened attention to customer relationship development (Moncrief, Marshall & Lassk 2006, Ingram et al. 2002), customer-centric strategies (Leigh & Marshall 2001), the increased complexity of desired trade-offs (Ingram et al. 2002), and a transformation from product selling to solution selling that requires a consultative attitude (Sheth & Sharma 2008). The shift towards relational selling, compared to traditional sales process activities, forces sellers to develop dyadic, mutually beneficial relationships, and to enhance intensive reciprocal interaction, mutual disclosure and cooperative intentions (Crosby, Evans & Cowles 1990, Boles, Brashear, Bellenger & Barksdale 2000). As the complexity of trade-offs increases, instead of persuasion and push activities, sales people need to understand customer, support decision making, act as resident experts, and be capable of answering questions (Tanner et al. 2008, 196, Sheth & Sharma 2008). In particular, it is increasingly important to have a good understanding of the customer's company, their industry and its environment (Tanner, Fournier, Wise, Hollet & Poujol 2008, 196). Sellers have to provide needs related information act in a reciprocal, diagnostic and counselling fashion, and express their cooperative intentions (Crosby et al. 1990). Sellers therefore need to shift towards sense-making processes and listening to the voice of the customer (Ingram et al. 2002), and this kind of consultative selling process leads to new selling activities, such as problem identification, the presentation of a solution, and continued customer support (Sheth & Sharma 2008, Ploetner 2008). Thus, in an initiation situation, the seller party's initiation activities are assumed not only to include persuasion but also the communication of their understanding of a customer's problems, and the presentation of their capabilities to solve these problems.

To approach new customers in order to initiate sales, seller parties use a range of customer acquisition and communication practices. These vary from *direct contacting and communication*, such as sales calls and cold calling, direct mail, agency newsletters, e-mail, and responding to requests for new-business presentations, to more *indirect communication* through marketing communications in the form of e.g. web pages, trade advertising, brochures, and advertising in telephone catalogues. *Indirect contacting* occurs through positive recommendations and sales interview arrangements by satisfied clients and experts. Contact can also be made at social events, such as trade shows, speaking at functions and hosting seminars, and entertaining potential clients (Waller et al. 2001, Feldmann Barr & McNeilly 2003, Johnston & Levin 1996, Warsta et al. 2001, Jaramillo & Marshall 2004). Such communication and acquisition activities vary between large firms and smaller local firms, since the former have substantial financial resources to invest in large scale marketing materials to build their image, whereas smaller firms invest in creating client relationships, building the firm's image and fast follow-up referrals (Feldmann Barr & McNeilly 2003).

The advance of technology is fundamentally changing the way selling organizations interact with their customers (Tanner et al. 2008, 198), and this is assumed to impact the initiation activities of sellers. For example, new ICT based communication, such as e-mail, web pages, electronic newsletters, and web conferences, enables the collection of new information about customers, facilitates approaching them, furthers the presentation of performance (Moncrief & Marshall 2005), and eases the development and delivery of sales presentations (Ingram et al. 2002). The Internet in particular provides a globally open tradeshow where, for example, information on a supplier's competences, offerings, and current and previous customers can be communicated (Jalkala & Salminen 2009). Moreover, technology provides more information for buyers, as virtual information sources – such as web data sources, third party sites and customer forums – provide additional information and increase their negotiating knowledge, which also changes selling activities (Sheth & Sharma 2008, 260, 262–263, Tanner et al. 2008, 198).

In sum, several initiation activities can be derived from the selling literature: When sellers aim to initiate with new customers, *they screen and evaluate* potential customers, *search for information* on them, *build awareness* among potential customers through various communication activities, *approach* potential customers, and *use existing relationships* to initiate new business (social relations, referrals). They need to *present the offering and the performance of the firm* but also *explore the true needs* of the potential customer. The process requires that sellers also have activities that *keep the process ongoing*.

3.2.2 The buyer's initiation activities and processes

From a buyers' perspective, the initiation can be related to the organizational buying behaviour process, in which the buyer evaluates the potential seller parties employing evaluation criteria to make the buying decision (Robinson, Faris, and Wind 1967, Webster and Wind 1972, Sheth 1973, Johnston and Lewin 1996). The organizational buying literature considers buying a complex multi-phase decision making process with many persons in many roles, multiple goals and objectives. In brief, the process includes activities such as defining the buying situation and identifying, evaluating, and choosing among alternatives (Webster and Wind 1972, Johnston and Lewin 1996).

The main elements of the buying process are argued to be the following: recognition of a need and a general solution, the determination and description of specifications, characteristics and quantity, the search and identification of alternatives, acquiring and analyzing proposals, the evaluation of alternatives and the selection of suppliers, and reviewing performance feedback and evaluation (Webster and Wind 1972, Robinson, Faris and Wind 1967). However, an information seeker's goal may be to make a decision but also to learn about the focal topic related to decision making (cf. Weiss et al. 2008). According to most of the decision making models, the decision makers simplify complex decision problems by first reducing the number of alternatives employing a simple procedure, and then switch to a more complex procedure to choose among the reduced number of alternatives (see Jensen & Roy 2008).

Buying processes are executed by a buying centre that includes all individuals involved in making the buying decision. These individuals may or may not be members of the buyer organization, since outsiders (e.g., consultants, lawyers, and customers) may be involved as well. A buying centre executes the decision making, gathers and evaluates the relevant information, and makes recommendations to upper level management (Webster and Wind 1972, 14, Dawes, Lee and Dowling 2000a, 395, Johnston and Lewin 1996, Bristor 1993).

Even though the buying behaviour literature tends to present the buying process as a linear progressive process, it tends to be more dynamic and complex. Buying is compared to problem solving (Webster and Wind 1972, Möller 1985); decision making elements such as evaluation and choice criteria, known and accepted suppliers, information sources, judgmental rules, and buying policies, are bound to change during the buying process due to learning or changes in contextual variables (Möller 1985), and this complicates the identification and order of the buyer's initiation activities. The dynamic nature of the buying process touches the whole process, because at each stage a variety of members may be involved, different decision criteria can be employed, and different information sources can become relevant (Webster and Wind 1972).

The complexity of the buying situation is assumed to affect the initiation process. The widely used "new buy, modified rebuy, straight rebuy" classification by Robinson, Faris, and Wind (1967) is useful also for outlining the initiation process, since an initiation situation always includes novel elements from the buyer's side. In routinized response behaviour, supplier and product attributes are prespecified in detail, and the supplier alternatives are completely known and specified. In limited problem solving, the information inputs are structured and the supplier alternatives are partially specified. In extensive problem solving, the information inputs are developed during the buying process; this is because specification is developed when processing rules are developed, and the supplier alternatives are not specified (Möller 1985). Bunn’s more detailed taxonomies for buying situations (1993, see Mitchell 1998a) – namely casual, routine low priority, simple modified rebuy, judgmental new task, complex modified rebuy, strategic new task – suggest that it can be both complex and/or new. Such complexity and newness is assumed to impact initiation activities, since complex situations are non-programmed decisions in which a buyer needs to seek and explore various options, while simple situations require less information search, processing and risk reduction.

Thus, the complexity or novelty of a purchase increases risk and usually leads to an external information search, multiple sourcing, consulting experts or buyers of similar purchases or larger buying centres (Dawes et al. 1992, Henthorne et al. 1993). Increased risk can be reduced during initiations through various tactics such as preparing a detailed brief for consultants, using consultants who are known to have worked in the area of interest, and obtaining colleagues’ opinions of consultants (Mitchell 1998a). In higher risk purchase situations, buyers seek information through intra- and inter-organizational communication networks, since awarding the contract to a seller who has a proven track record helps reduce the perceived risk associated with an important purchase (Johnston and Lewin 1996). The need for an external information search in complex buying situations is stressed by Dawes, Patterson and Lee (2000b), who found that 65% of their respondents, who were buying centre members buying complex innovations, reported that they used a robust network of friends and contacts when searching for information about suppliers. Similarly, Henthorne et al. (1993) found that in new task situations the perceived risk was best reduced by receiving positive opinions from informal peer information sources outside the focal organization.

To make an optimal decision in risky situations, buyers often seek information through a variety of sources. The nature of information seeking processes is dependent on a buyer’s expertise and characteristics, the phases in the buying process, the characteristics of the buying situation, the level of risk, and the size and organizational purchasing structure of the buyer company (Newall 1977, Johnston & Lewin 1996, Webster and Wind 1972, Bunn 1993). Most studies suggest that there’s more search when uncertainly is high, but some studies state that a high level of uncertainty may reduce the information search (Bunn 1993). Buyers seek information on a variety of topics such as marketing conditions, suppliers’ performance and current prices, purchase needs and market limits; and the most important issues in a search were the level of quality required, user needs, the reliability of a supplier, the capabilities of a supplier, the current prices of different vendors, alternative sources of supply, market availability, and a product's technical performance (Bunn 1993). The same information may be interpreted differently, because decision makers have different prior knowledge, goals and values (Sheth 1973). Industrial buyers seek information from the Internet, sales people, exhibitions and trade shows, direct mail, press releases, journal advertising, professional and technical conferences, the physical demonstration of equipment, viewing the product in a non-commercial working situation, and from informal and social contacts and by word-of-mouth (Sheth 1973, Newall 1977, Bunn 1993, Johnston and Lewin 1996). During the earlier stages of the decision making process, buyers often rely more on impersonal commercial information sources, but as the process progresses, personal non-commercial information sources (outside consultants, other organizations that have already made similar purchases) may become more important (Johnston and Lewin 1996, Mitchell 1998a).

On the basis of acquired information, buyers rank potential sellers using evaluation criteria and selection factors that most often concern price, quality, service and availability (Bunn 1993, Sheth 1973). However, in new task purchase situations, established evaluation and decision making procedures might be inappropriate (Johnston and Lewin 1996, Möller 1985). Buyers of complex business-to-business services in particular, face the impossibility of making a thorough evaluation in advance because offerings contain credence qualities and are usually difficult to specify in advance, and also because buyers can only assess to a very limited degree whether the offering will be worth what it costs (Lindberg & Nordin 2008, 297, Plötner 2008, 335–336).

Buying activities also include negotiation and bargaining; the best solutions to an important purchase problem can be found through co-operation and information exchange (Johnston and Lewin 1996). However, achieving consensus between a buyer and a seller concerning a desired offering is difficult, especially when the offering is complex: such customers often attempt to objectify their requirements with clear definitions that serve as the basis on which suppliers develop their offerings through negotiations (Lindberg and Nordin 2008, 297)

In conclusion, the initiation activities that can be derived from the buying behaviour literature may be summarized as follows. Buyers need to *recognize a need or a problem*. They *seek and gather information* and aim to *lower risk* through a variety of tactics. When buyers aim to initiate, they need to *identify the narrow initial considerations that are set*. They *request proposals, presentations, recommendations, and track records*. These provide more grounds for *evaluation*, *decision making*, *specification* and the *formulation of the need and/or problem and the focal assignment*. Buyers need to *define their specifications* *concerning the need* and *brief the seller party on their needs and expectations* as they *negotiate* with the seller party on the nature, outcome and pricing of the exchange.

3.3 Initiation within webs of connected inter-organizational and social relations: the network approach to initiation

The network literature highlights the network aspects in initiation, and points out how existing connections between individuals or organizational actors impact initiating new ones. Due to connectedness, several actors can be involved in initiation, and thus the initiation can be widened from the dyadic phenomenon to a triadic network phenomenon. Thus, the network literature concerning industrial networks and social networking is reviewed next, since it offers knowledge of how existing relationships have an effect on initiations.

The **industrial network research** and IMP-school in particular emphasizes interconnectedness and argues that relationships are part of larger entities and connected relationships; therefore, direct relationships with some actors offer indirect relationships through the other actors' relationships (Håkansson and Snehota 1995, Ritter et. al. 2004). Some studies within the research described have touched on initiations, such as conceptual studies by Holmen et al. (2005) and Ritter (2000). Holmen et al. (2005) conducted a broad review of the research concerning the beginning of relationships and suggested that an initiation can be launched directly or through the network mediated opportunity. Ritter (2000) analyzed interconnectedness in business relationships and identified a mediation effect that shows how connected firms can indirectly or directly affect initiations between other firms through referencing and introductions. Thus, actors in a network with direct relationships can bridge parties and act as mediators that connect previously unconnected actors and assist actors in reaching new actors (Ritter 2000, Håkansson & Snehota 1995, Smith & Laage-Hellman 1995). Batonda and Perry (2003) studied the relationship development process, and found how externals launched a relationship, although they focused only on dyads despite the prevalence of triads and networks. Havila (1996) has researched the role of the intermediating actor in a business relationship triad. The network effect on an initiation based on interconnectedness of organizations is described in Figure 10.

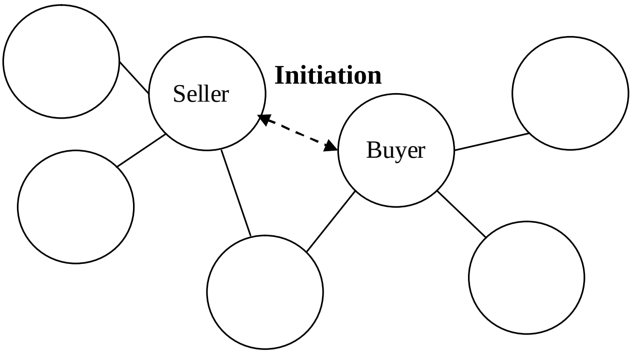


Figure 10 Initiation in the network of connected actors

If initiation is considered to occur within a web of social and interorganizational relations, this brings up multiple actors and multiple layers that may impinge on initiations. Halinen and Törnroos (2005, 1286) regard networks as a complex phenomenon for several reasons: Cooperative arrangements between firms are often informal and therefore even the identification of the business network is problematic. Networks are also context specific, because network relationships are embedded in different political, social, technological and market structures, which makes each network unique. Business relationships are temporally embedded, since companies are bound to the past, present and future. Second, they are spatially embedded, since space and geography usually play a role in business relationships and business actors are internationally, nationally, regionally and locally embedded. Third, relationships are socially embedded. Fourth, business relationships are tied to ongoing political contexts and ongoing political processes. Fifth, each actor is embedded in a specific market with certain offerings, clientele, and operations. Sixth, relationships are technologically embedded because companies are dependent on specific processes and product technologies (Halinen and Törnroos 1998).

Moreover, the significance of **social relations**, **social networks** and **social capital** in affecting inter-organizational exchange has long been recognized in the literature, and thus their impact on initiating business relationships is discussed next.

Granovetter (1985) argues that all economic actions are embedded in relationships between individuals. However, different views exist on what the relationship between the economic and the social dimensions is. Granovetter (1985) argues that the social dimension is embedded in the economic dimension, but Uzzi (1999) regards the dimensions as separate but interacting. A third perspective on the relation of social and organizational relations is offered by Ring and Van de Ven (1994), who make a critical observation on personal relationships and organizational relationships, due to their transaction cost view, as they note that even though individuals may rely on trust in their social relationships, they may be unable to do so at an organizational level.

The social aspects that may impact initiations are discussed within the literature concerning social relations, social networks, and social capital. *Social networks* can be defined broadly as “a web of personal connections and relationships for the purpose of securing favours in personal and/or organizational action” (Su, Yang, Zhuang, Zhou and Dou 2009, 674). This definition stresses social relations and networks as intentional mechanisms that help people achieve their goals. *Social capital* is an umbrella concept used in a variety of disciplines, and refers to a resource composed of an individual’s social relations. Such a resource may facilitate interaction, lubricate operations between actors and improve efficiency, but it also glues actors together (Nahapiet & Ghoshal 1998, Gu et al. 2008, Theingi, Purchase & Phungphol 2008, Butler & Purchase 2008).

Social relations are often preconditions for exchange (e.g., Granovetter 1985, Uzzi 1997, Gulati 1995, Larson 1992). Uzzi (1997, 52) points out that social embeddedness creates economic opportunities, because social networks indicate reciprocal exchange, signal reliability and competence, reduce risk and link actors in multiple ways, and thereby provide means by which resources from one relationship can be engaged for other situations. Moreover, social networks facilitate and provide access to information and high quality “inside” information on time and at lower costs, which also eases information decoding (Gu et al. 2008, Burt 1997, Nahapiet & Ghoshal 1998, Andersen 2006).

The role of social relations is noted in divergent literatures: according to the relationship development literature, business relationship development is influenced by the complex multi-dimensional social and economic activities between both economic and personal actors (Batonda & Perry 2003). Some researchers’ findings enrich this aspect: for example, Dibben and Harris (2001) investigated how business relationships developed from prior social relationships between CEOs, while Halinen and Salmi (2001) have drawn attention to persons that can act as negative gatekeepers as well as positive gate-openers in critical phases of business relations, such as the initiation. According to the buying literature, social relations can facilitate buyers’ information searches and decision making (Henthorne et al. 1993, Wheiler 1987, Bristor 1993, Johnston & Lewin 1996), while the selling literature suggests that such relations provide information to be used in prospecting and in approaching (Moncrief & Marshall 2005, Jaramillo & Marshall 2004, Waller et al. 2001).

Furthermore, several international business studies show the impact of social relations on the beginning of business relationships. Ellis (2000) studied how new international exchange partners are identified via existing social ties; Su et al. (2009) found that informal social networks serve as the initial basis for forming formal international business relationships; and Andersen (2006) found that information on foreign market opportunities was often communicated through network relationships. Mainela (2007) investigated how various social relationships were used in organizing and creating a business network in joint ventures, for example for “gate-opening”. Social relations are extremely important in some business cultures: for example, Guanxi, kankei and blat are complex structures of social relationships in China, Japan and Russia, and their existence highlights the fact that social relations play a more crucial role in some regions than they do in Western countries. In such contexts, social capital is an imperative requirement for developing business opportunities and access (see Theingi et al. 2008, Butler & Purchase 2008, Su et al. 2009, Gu et al. 2008).

Social relationships are of different kinds; they originate from personal histories or tasks within organizations, and vary from relations with emotional obligations and trust, to purely instrumental relations. Personal contacts are based on personal history, family, friends, education and earlier tasks in various firms and organizations (Halinen and Salmi 2001, Wong and Ellis 2002, Butler & Purchase 2008). Mainela (2007, 93) distinguished four types of interpersonal social relationship that are employed for the organization of an international joint venture: distant reporting relationships, organizational contacts (which are based on organizational tasks and often related to attempting to solve a business problem), personal relationships, and friendship relationships. Social relations are formed relatively spontaneously but not necessarily without planning (see Halinen and Salmi 2001). Variation exists on how well social relations can be used at the organizational level, and how well they can be transferred to others: some social relationships are based on their company’s business activities and can be expected to be transferable to other individuals, whereas the “qua persona” relationships are purely personal and not normally transferable (Mainela 2007).

Figure 11 presents the interaction between the social layer (where actors are individuals) and the organizational layer (where actors are organizations), and illustrates how individuals’ social relations impact an initiation between organizations.

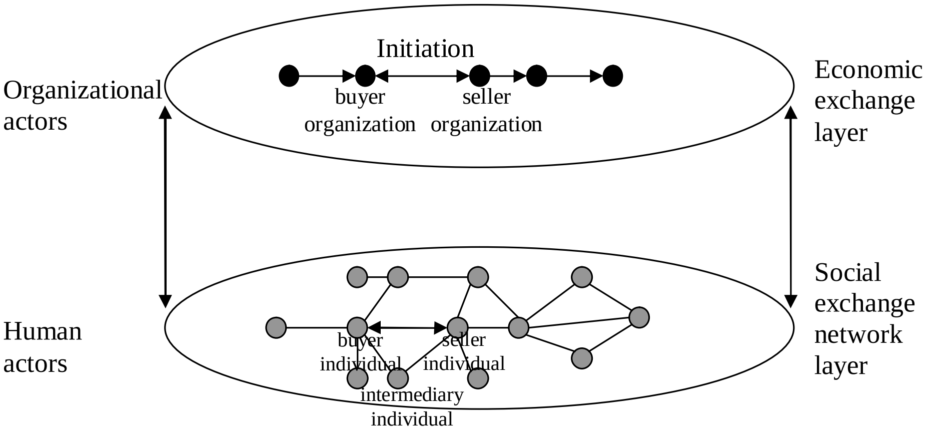

Initiation
Organizational actors
buyer organization
seller organization
Economic exchange layer
Human actors
buyer individual
seller individual
intermediary individual
Social exchange network layer

Figure 11 Social relations and networks impacting an initiation between organizations[1]

Thus, the network approach (here the literature on industrial networks and social networks) suggests that the existing webs of social and organizational relations may impact initiating new relationships. Initiations between organizational actors are touched by social processes between human actors and by other connected organizational actors (see Figure 11). The literature on industrial networks suggests a network actor who is external to the focal dyad, but with existing established and direct relationships may impact the initiation processes as it can support *the recognition of a business opportunity, gaining access and building trust*. The literature on social relations, social networks and social capital suggest ways how the social links advance initiation: reciprocal social relations might *provide information* that is useful in the initiation situation. The socially familiar actors who share a common background or who have known each other for a long period might recognize a business opportunity, and their knowledge of each other will help *build trust*, *signal credibility* and *reduce risk and facilitate access*.

3.4 Initiating for knowledge intensive and complex exchange: professional services as a context for studying initiation

This study analyzes initiations within knowledge intensive and service dominant businesses in which the complexity of the exchange challenges both the buyer and the seller. The literature on professional services and services provides some understanding of the features and activities of initiations in such contexts.

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[1] The idea for the figure originated from Holmlund & Törnroos 1997.

There has been discussion as to what services are, and whether and how marketing services differ from marketing products. For example in recent literature, Edvardsson, Gustafsson and Roos (2005) point out that services can be considered a category of market offerings or a perspective on value creation, and they stress the latter arguing that service is co-created through interactive, experiential and relational processes, and that forms the basis for understanding what qualifies as a service. The classic features of services, namely intangibility, heterogeneity, inseparability and perishability (Zeithaml 1981), might affect initiation situations even though their existence has been criticised in recent literature (see Lovelock & Gummesson 2004, Edvardsson et al. 2005). These features may create challenges for the successful initiation of the relationship: due to intangibility and heterogeneity, a new customer perceives problems in the pre-purchase evaluation of the service process, the interaction and the outcome of the service; although, e.g. education is more intangible than industrial design or technical consulting. Furthermore, due to inseparability, a customer can also be unaware of its own role in “production” within a service process.

Services have two dimensions – the service process and the service outcome, and in initiation, these aspects should be defined and communicated since they constitute reasons for the exchange. Process and outcome dimensions are also reflected in the customer’s evaluation, since the customer evaluates the outcome related “what” dimension called technical quality and the process related how-dimension called functional quality (Grönroos 2000, 51, 63). It has been stressed that all products and services, no matter how complex or intangible they are, need to be objectified at some point in time to make them exchangeable (Lindberg & Nordin 2008, 293). Thus, some kind of “a process” and “an outcome” usually needs to be proposed, defined and illustrated when parties aim to initiate.

Professional services are distinguished as being a special type of service with distinctive features and challenges (Silvestro et al. 1992, 67–73; Löwendahl 2005, 23). A professional service is customized problem solving that is produced by an educated expert with special knowledge and experience. The customer lacks this special knowledge: thereby there is the knowledge gap called information asymmetry between the service provider and the client (Lapierre 1997). Information asymmetry might even make the buyer dependent on the seller in defining the assignment, because in the beginning there is usually a lack of clarity regarding the service needed and the expert might even know better what the customer needs (Löwendahl 2005 121–141, Thakor & Kumar 2000, 65). Because of the high degree of customization, both the process and the result are usually complex and still the result of the service is critical for the customer. Professional services rely on people and mental processes and are therefore very intangible (Löwendahl 2005, Silvestro et al. 1992, Edvardsson 1989, Thakor &

Kumar 2000, Lapierre 1997). Typical professional service industries are law firms and attorneys, accounting firms, management consultants, technology consultants, engineering consultants, insurance brokers, financial consulting and investment bankers, advertising agencies and marketing and PR services, architects, personnel services and recruitment services, suppliers delivering computer designs and software and computer science consultants, designers (graphic, industrial), and medical services (Löwendahl 2005, Clemes et al. 2000, Edvardsson 1989, Lapierre 1997, Day, Barksdale 1992, Thakor & Kumar 2000, Waller 2004, Boughton, Nowak and Washburn 1996).

The core of exchange in professional services is problem solving. The professional solves the customer's problems with education and specialist know-how, makes the diagnosis, formulates the problem and the way of operating and produces the solution to the problem (Edvardsson 1989, 6). The problem solving process varies from the scrutinizing of solutions and presenting old solutions to creative problem solving and innovating new solutions (Löwendahl 2005, 121–141). Some professional services, e.g. technical consulting services, are problem solving routinized and there is a possibility to standardize the service and the process. In these cases the assignment is often well defined already at the start (Edvardsson 1989, 7). It can be assumed that the more unstructured and creative the problem solving is, the more complex the defining process and the solution in the initiation phase are. In professional services competence is particularly tightly connected to the development and exploitation of previous experience, since experience facilitates the use of the resources required in different situations and helps to combine resources in order to solve problems and conform to the requirements of buyers (Eriksson, Majkgård and Loy 1999).

There are also differences between professional services concerning the orientation to relationships and the average size of the projects: Even though services are often large investments that require the cooperation of professionals over a long time, in some industries assignments can be very small, e.g. press releases that involve only one consultant for a small part of a day. (Löwendahl 2005, 121–141). Relationships in professional services are mostly project based sporadic assignments, but short term single project assignments also exist (Silvestro et al. 1992, Löwendahl 2005, Edvardsson 1989, Lapierre 1997, Szmigin 1992). Relationships tend to be lengthy commitments because of the high level of risk perceived by the customer (Lapierre 1997, 378, Wheiler 1987, 193, Lovelock 1983). As professional service exchange seems to be biased toward long term relationships or sporadic relationships, it can be assumed that both parties estimate the relationship's potential carefully when they begin to initiate.

Some features of professional service such as information asymmetry, customization, intangibility and high risk make professional services a challenging context within which to initiate and therefore these issues are further discussed from the prospective customer's and the prospective service provider's perspectives.

From the customer's perspective, buying a professional service and entering a relationship with a professional service agency is a complex process because of knowledge gaps and evaluation challenges. Firstly, the buyer faces problems in the area of need recognition and problem formulation: The customer is motivated to buy the professional service since the customer lacks the skills or resources to execute the service itself. However, even if the customer has a clear motivation to buy the service, the features of professional services make the need formulation and decision making difficult: the customer cannot diagnose their own needs or identify the range of possibilities for meeting them (Mitchell 1998a, 461, Lindberg & Nordin 2008, Edvardsson 1989, Day & Barksdale 1994). Secondly, the buyer of professional services faces a matching problem because a buyer faces difficulty in determining the appropriate professional to work with (Wheiler 1987, 192) since the output can strongly depend on particular employees' individual contributions (Andriopoulos & Gotsi 2000). Usually there are only a few professionals qualified for the task, and it might be difficult to identify and find the right ones. Thirdly, the customer faces an evaluation and selection problem: Intangibility, simultaneous production and consumption, credence qualities and information asymmetry make it difficult for a customer to evaluate and compare competing services, and to select the most appropriate service and a customer has to often utilize incomplete information in its decision making (Smith & Bush 2002, Day & Barksdale 1994, 47).

In decision making, the buyers of professionals services employ selection and evaluation criteria which are the price, schedule, interaction, responsiveness and professionalism, project knowledge, experience in the field, the result, previous works, knowledge and competence, reputation and image, social ties and acquaintance, relational aspects (such as partnership, involvement and confidence), proposal of concrete improvements (that are achieved once the transaction is complete and the client makes a return on investment), and presentation (Day & Barksdale 1992, 86, Edvardsson 1989, 9–15, Dawes et al. 1992, 187-193, Lapierre 1997). Knowledge of the industry sector of the client is usually required and previous successful works and experience and knowledge of the client's industry sector is weighted (Day et al. 2003, Edvardsson 1989, 15, Mitchell 1998a, 476). Wuyts et al. (2009) found that expert image, such as reputation, dominates the consideration phase whereas price and good personal relationships dominate the choice phase. In particular, in strategically important services the expert image conveyed through reputation is influential, because customers prefer reputable agencies. Consequently, price is not usually the main element in selecting a professional service provider, since the customer may consider price to be an indicator of quality, and because a low price implies a low quality, the customer does not normally choose the lowest priced service provider (Zeithaml 1981, 187). Recent findings by Wuyts et al. (2009) suggest that price has little influence on the consideration phase but has far more important in the choice phase. Many of these above mentioned criteria are difficult to inspect in an initiation situation before any realized service experience.

The risk in professional services is high since the selection leads to linked decisions, long commitments, high-price investments and, additionally, the services often concern sensitive issues and require smooth communication in a confidential atmosphere. (e.g., Wheiler 1987, 192–193, Löwendahl 2005, Silvestro et al. 1992, Edvardsson 1989, Thakor & Kumar 2000, Lapierre 1997, Clemes et al. 2000, 586). The buyers of professional services want to be certain of the trustworthiness of the chosen professional service experts and firm, also because the service providers solve the customers' critical problems autonomously, and tend to be in receipt of sensitive information concerning their customers (Wheiler 1987, 192). The high perceived risk drives customers to remain loyal to a certain service provider (see Clemes et al. 2000, 586, Wheiler 1987, 192, Lapierre 1997) or, when they seek new service providers, to lower risk by extensively seeking information through reliable information sources. When the customer is choosing an appropriate service provider, it usually approaches several professional service agencies, but turns to a professional or an agency which has been employed before or is known to the customer (Edvardsson 1989, 15, Mitchell 1998a, 476), which emphasizes the role of earlier positive experiences as important information in selection. Personal information sources such as previous customers are appreciated in professional services, since they convey credible information about credence qualities (Lapierre 1997, Day & Barksdale 2003, Thakor & Kumar 2000, Mitchell 1998a, Henthorne et al. 1993). Intangibility, the exiguity of concrete elements, and information asymmetry, drive customers to judge secondary tangible clues such as office, and the equipment and methods used (Edvardsson 1989, 8, Clemes et al. 2000). Experience in buying and repeatedness does not necessarily decrease the perceived risk in professional services: the customer can perceive a high risk both in new-buy and re-buy situations, as buying complex professional services is always risky due to their particular characteristics (see Mitchell 1998a, Lindberg & Nordin 2008).

Equally, due to the special features of professional services also a seller party faces problems in initiation. Firstly, the culture of "professionalism" does not allow active push-marketing and promotion, which **hinders awareness creation and building attractive image**. The sensitiveness of professionalism affects marketing opportunities, practices and attitudes. The advertising and active marketing of professionals have been considered unprofessional, and in some industries active marketing was even prohibited. Times have slowly changed, and professional service firms have nowadays more opportunities and more positive attitudes regarding the promotion of their offerings and performance (Feldman Barr & McNeilly 2003, 715, Thakor & Kumar 2000, 72–73, Ellingson et al. 2006, 144, Ferguson 1996a, 1996b). Another initiation challenge faced by the seller party concerns marketing resources. In professional services agencies, marketing is usually managed by professionals themselves who seldom are trained in marketing (Szmigin 1992, 6, Ellingson et al. 2006, 143). Consequently, the professionals often are ‘part-time marketers’ (cf. Grönroos 2000) as they usually have tasks related to marketing (such as managing customer relationships and day-to-day marketing) embedded in their work.

Even though active marketing is not considered appropriate for professional service providers, they can promote their services through direct contacting, sending marketing messages through various media or utilizing previous contacts, such as the positive recommendations of satisfied clients, and utilizing events for promotion (such as speaking at functions, hosting seminars) (Waller et al. 2001, Feldmann Barr & McNeilly 2003, Ellingson et al. 2006, 149). The sales activities of the agency can be based on more distant bidding proposals or more active selling (Löwendahl 2005). Large professional service firms have large financial resources to invest in large scale marketing material and can hire marketing professionals, whereas smaller firms invest in creating client relationships, build the firm’s image and utilize referrals (Feldmann Barr & McNeilly 2003, 719). Furthermore, **identifying and contacting matching prospects** is an initiation challenge, since it is in a service provider’s interests to cooperate with certain customers who offer good and challenging assignments that develop the professionalism of personnel and the capabilities of the agency (see Löwendahl 2005). The service provider also has to find customers with a need that corresponds to the professional area of the agency. One challenge concerns **displaying and communicating professional services**, in calculating costs accurately and setting prices (Clemes et al. 2000, 576, 584).

Moreover, difficulties concerning interaction may challenge both parties in initiation. Even though the information symmetry situation complicates communication and understanding, parties need to gain a mutual understanding of the outcome, because the solution is critical for the customer. The service provider executes problem solving autonomously and customizes solutions for the customer’s needs, but the buyer often needs to take active part in the production (e.g. Halinen and Salmi 2001). A result cannot be known before purchase but still the desired solution must be defined and agreed and parties need to ensure that expectations and goals are congruent (Löwendahl 2005, Silvestro et al. 1992, Lindberg & Nordin 2008). Before the assignment both parties have to come to a consensus on what the “intangible solution” might be in a given case and what kind of process, interaction and relationship would be needed to attain it.

Therefore, the relevance of the interaction processes during an initiation is assumed to be high.

Some aspects of initiation may be highlighted by professional service features, and these are summarized next. Customers often do not know exactly what they want or need, how to define the assignment, or even which provider to approach; so they seek credible information to support decision making. In turn, it may be difficult for service providers to approach certain types of customer, present a solution and describe the value it would produce for the customer. Since professional services are tricky to present or communicate beforehand, and trustworthiness is difficult to prove in advance, a seller may need to express trustworthiness, stress tangible cues and reduce service complexity. Thus, the literature concerning professional services stresses information exchange, definition and customization of the focal assignment, scanning for the potential a relationship may offer, and performance verification. The features originating from the context – credence qualities, high investment, criticality, length of commitment and linked decision-making – are not common only to professional services, but can also be applied to various innovating and complex offerings that have critical outcomes with long term effects (see Salminen & Möller 2006, Salminen 1997).

3.5 Initiation synthesis

The literature review concerning initiation related research suggests a variety of processes and features. This existing knowledge is synthesized next, in order to generate an initial understanding of initiation per se, so that reference communication and the third actor contribution to initiations can be investigated in more detail. Existing models of relationship development, selling and buying processes mostly present the progression of the “initiation” process as linear and intentional. Existing relationship development models describe the initiation as the first phase, stage, state or status of the relationship, but do not provide a detailed analysis of this particular phase that seems to be more complicated than such models consider it. The initiation is a blurred launch phase of a relationship that involves various personal and organizational actors, and a variety of intentional and unintentional activities. The blurred nature of initiation seems to originate from the multiple sub-processes of the initiation phase. Therefore, the synthesis of an initiation per se is presented in the following; the initiation sub-processes are gathered together and some key processes are identified.

3.5.1 The initiation sub-processes and key processes

Instead of seeing initiation as the first firm stage of relationship, an analysis of the literature of various research domains suggests that initiation is a multiphase, multidimensional and multiprocessual process that consists of a range of activities illustrated in the reviewed literature. At least 26–30 activities can be distinguished as *initiation sub-processes* on the basis of the literature review. These processes are assumed to be essential in the initiation of a business relationship (see Figure 12).

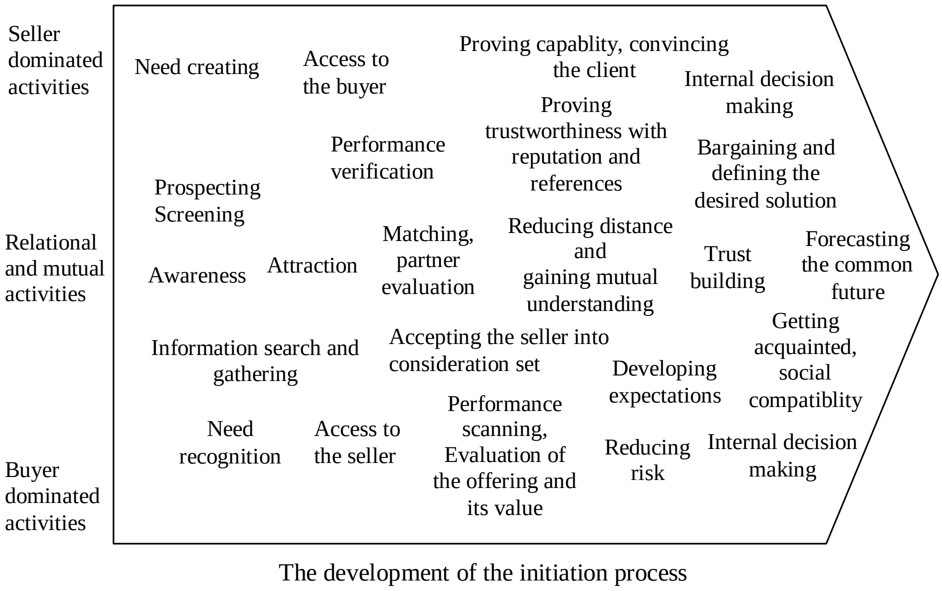

Seller dominated activities
Relational and mutual activities
Buyer dominated activities
Need creating
Access to the buyer
Proving capablity, convincing the client
Internal decision making
Proving trustworthiness with reputation and references
Performance verification
Bargaining and defining the desired solution
Prospecting Screening
Matching, partner evaluation
Reducing distance and gaining mutual understanding
Trust building
Forecasting the common future
Awareness
Attraction
Getting acquainted, social compatiblity
Information search and gathering
Accepting the seller into consideration set
Developing expectations
Performance scanning, Evaluation of the offering and its value
Need recognition
Access to the seller
Reducing risk
Internal decision making
The development of the initiation process

Figure 12 The literature driven activities as sub-processes of initiation

The relationship development literature stresses unilateral and mutual processes, such as the motive or need recognition, awareness building and being aware, searching for potential partners from outside and inside sources and activating business relationships from a pool of personal contacts, attraction, evaluation, negotiations, expectation building and clearance, distance and uncertainty reduction with prior social relations and reputation, recognition of common interest for going into a relationship, testing and screening shared goals, values and compatibility, performance scanning and the cross-checking of a partners' competence and matching the need with the partner's capability; social bonding and the testing of personalities, and trust building. Other literature streams, such as the selling and buying literature, point out the unilateral sub-processes essential for forming dyadic relationships. For example, the selling literature stresses prospecting activities (such as screening, information search and evaluating potential customers), communication and contacting activities (customer acquisition, marketing communications activities, and presentation and performance verification activities), and sales activities that continue the process. When sellers aim to initiate they also need to execute internal decision making (concerning for example prospecting, partner evaluation, defining and pricing the offering). The buying literature naturally taps the optimal decision making aspect, and discusses processes such as the need or problem recognition and formulation, information seeking and gathering, sequential evaluation and processes, requesting information, proposals and presentations, risk reduction activities (such as briefing the seller party, negotiation checks and external information search), and negotiating. The network related literature stresses access, information sharing and trust building in initiation.

Some sub-processes are clearly relational, such as trust building that requires mutual interaction, and although some others are unilateral and one-sided, such as internal decision making, they are still valid in the development of relational processes. Even though the initiation is dyadic and mutual, some unilateral processes, such as internal decision making and evaluation, are critical processes, since the progression of initiation depends on the result of these unilateral processes. Some of the sub-processes follow each other in a linear fashion, for example awareness moves to accessing, but some should be considered constant, such as trust building, or non-linear and sporadic such as evaluation and information gathering, since they can be reactivated several times sporadically during the initiation process. The sub-processes are both social and economic in nature e.g. trust creation processes are based on the success of economic transactions activities and on strong social relations.

Sub-processes can be considered interrelated episodes that may form larger entities of interaction as modules of a relationship (see Holmlund 2004). Thus, further analysis of the initiation process suggests that sub-processes can be gathered and classified under 6 more generic **initiation key processes.** These categories should not be taken as sequential. The key processes are:

1. Identification of the need
2. Identification of a matching, attractive partner
3. Accessing
4. Forming and defining the first exchange and gaining a mutual understanding of what will be done
5. Building operating conditions (trust creation, information sharing, risk reduction, getting acquainted, gaining mutual understanding)
6. Forming the future of the potential relationship (expectations, evaluation, trust creation, matching)

Even if some sub-processes and key processes do not necessarily progress in a linear fashion, the initiation is described as starting from its launch and ending with a consideration of the future of the relationship, still keeping in mind that the chronological order of the processes may vary.

First, a change or trigger is required that generates a possible need for the buying organization to enter into a new relationship. Thus, one of the seminal key processes is to **identify the need**. During the initiation, the need or motivation is recognized and defined. The buyer party itself may recognize the need, or the seller party or an external party may be involved in this process. This need identification step is commonly considered the launch of the relationship development process and buying process.

In order to create a dyadic relationship, it is necessary to **identify a matching, attractive partner**. Both parties seek partners that are the most attractive for their business, or at least appropriate. Even if parties are already in a good relationship, they are usually aware of potential matching partners: the buyer may be more or less actively seeking new seller parties and gathering market information on alternative suppliers, offerings and trends, and the seller sends out marketing messages and prospects for new customers. Through such activities, the actors aim to be aware of potential partners and also create awareness among them. This key process does not need to be dialogical, it can also be unilateral. Attraction between some actors arises on the basis of the perceived similarity of values, social relations, complementarity, learning and reference values. Wilkinson et al. (2005) state that relationship forming is about choosing and being chosen; therefore in initiation both parties need to attract and to be attracted. The attraction (e.g. Dwyer et al. 1987) is impacted by rewards such as the perceived similarity of values or complementary resources such as money, information and status. Halinen (1997) links attraction to the perceived compatibility of organizational needs, resources and personal chemistry. Not only does the seller need to attract buyers, but buyers need to be attractive in the sellers' eyes by providing monetary values (such as increased market share, sales volume, and profits) or others such as learning or references and gaining approval and status within the industry (see for example Frazier 1983). When parties seek and choose attractive partners, they evaluate the compatibility of each other's goals and performance. Employing evaluation criteria, the buyer party seeks sellers whose offerings, experience, capabilities, pricing and relationship orientation best meet their needs, and the seller party prospects for customers who fit the competence and strategy of the firm.

However, awareness and attraction are not enough to initiate; parties also need to succeed in **accessing**; the seller party needs access to the buyer party when they approach the prospect, but it may be assumed that in some cases the buyer party also needs access to the seller party. The existing literature mentions that access can be facilitated by external parties and social relations; attraction and proven trustworthiness legitimised through word-of-mouth, reputation and referencing facilitate access.

Once access is created, the parties move towards closer dialogical interaction that involves serious mutual negotiations. Parties start to negotiate on the economic content of exchange and start building operating conditions. Their lack of deep experience of one another, and of mutual understanding, makes the initiation fragile in this phase and, as a consequence, the initiation can easily be terminated or ceased (cf. Edvardsson et al. 2008).

The initiating parties **form and define the content of their potential exchange** and these bargaining activities can be considered to be among the later activities of the initiation process. The key process typifies that through negotiations, information exchange and processing parties aim to specify the content of their exchange and to define the desired solution for an offering. This key process requires both unilateral processes within the seller and the buyer organization, such as an analysis of the intended content and type of exchange and relationship, and mutual dialogue in which parties communicate their perceptions and requirements of the exchange and relationship in order to build mutual understanding and to diminish the distance between intentions. At the beginning of a business relationship, parties will have only a restricted view of what the other party requires of them, or what they hope to gain from the relationship (Ford 1980, 343), and therefore mutual communication and assignment formulation facilitates finding a common understanding. The buyer party communicates its short and long term needs, and the seller party aims to present potential solutions to the problem. Especially in the case of complex offerings and information asymmetry, the seller must develop an understanding of the customer’s needs and business, identify its own appropriate capabilities and determine the potential solution, and equally buyers have to strive for identification of their needs. Through dialogic communication and interactive reasoning the parties can then develop insight into what they can do together. This dialogic sense-making produces a shared interpretation which often emerges gradually and incrementally (see Ring & Van de Ven 1994). Consequently, expectations and intentions about potential exchange are formed and elaborated. The higher the value expected from the relationship, the stronger the motivation to commence the exchange process and the relationship. The relationship value consists of benefit dimensions (e.g., the offering related benefits, relationship related benefits, strategic benefits) and sacrifice dimensions (e.g. price and relationship costs) (Ulaga & Eggert 2006, 2005, Lapierre 2000, Olaru, Purchase & Peterson 2008). In the initiation of a relationship, these dimensions might also impact the evaluation of the value of the relationship, but because the buyer evaluates new potential suppliers of whom the buying firm has no experience, it will face uncertainty about the potential costs and benefits related to being in a relationship with a particular new supplier.

Parties execute also unilateral processes, such as constant information gathering and the provision of information on performance. Buyers scan the performance levels of various potential sellers on the market to reduce risk, and the sellers verify their performance and offerings in order to convince the customer. Parties scan information on each other in order to evaluate their suggestions and to elaborate their own responses to suggestions. Thus, these processes concerning internal decision making and evaluation processes within both firms are necessary for success in mutual communication. Both dialogic communication and unilateral information gathering and processing are needed in order to reduce heightened risk and uncertainty in the initiation, which originate from novel elements and can be related to the actual need (the specification of what the buyer really requires) or to a type of partner (is the right seller party being approached).

Once parties move into closer interaction they also start to **build conditions for operating**. This key process typifies the softer dimension of the exploration of operating conditions, and requires mutual communication in the form of social interaction that builds a basis for **creating trust and getting acquainted at the social level**. Hence, as the initiation progresses, distance is reduced through forging and deepening social relations, and gaining experience through interaction. Trust comprises benevolent trust (the emotional dimension of trust) and credibility trust (the rational dimension of trust) (Andersen & Kumar 2006), and therefore also personal chemistry impacts the emergence of trust in the initiation, and determines the fate of many buyer-seller activities. The emergence and endurance of trust is tested several times at a personal and organizational level during the process. Trial projects can be used to test whether parties have reached mutual understanding on operating conditions and hence, usually, new relationships emerge incrementally beginning with small deals that require only a little trust; but as trust increases, parties may be willing to make more significant and risky investments in future transactions (see Ring & Van de Ven 1994).

The closer the interaction becomes, the clearer and more realistic the picture of the future potential of the relationship becomes. The parties start to **form the future of their potential relationship (long term relational expectations and compatibility).** Parties forecast and outline the future potential of their emerging relationship, on the basis of organizational strategic matching and common goals as well as personal compatibility. In particular, complementarity and a common interest in building a relationship have been seen as the prerequisites for starting a relationship (see Halinen 1997). Parties may also consider the intensity of the relationship; for instance, will it be a single assignment, a series of sporadic assignments or a constant relationship. The matching aspect is important in partner identification (see Wilkinson et al. 2005) but also when parties evaluate the relationship potential for the long term. The future expectations are impacted by the long term benefits of the relationship, such as monetary, reference and learning values (e.g., Lapierre 2000, Ford 1980, Ulaga & Eggert 2005) and by history of the involved parties (e.g., Andersen, Havila & Salmi 2001). However, parties' orientation to a relationship may differ, since the exchange types between firms often vary from the short term nature of one-time exchanges to long term relational collaboration and to hybrid forms of exchange, which are transactional and relational at the same time (Lefaix-Durand & Kozak 2009).

3.5.2 Move towards empirical investigation of reference communication and third actors in initiations

The conceptual synthesis of initiation outlined in this chapter is intended to develop an initial understanding of how relationships initiate, and it thereby serves as a starting point to study empirically in the following chapters how reference communication and third actors contribute to initiations. This study is premised on the idea that the initiation consists of various sub-processes and key processes that can be influenced by communication that involves external parties, and by network relations via third actors. Since initiation seems to include multiple processes, diverse reference communication types and various third actors may play a variety of roles throughout the initiation process, and contribute differently to multiple initiation processes: they may be employed in buyers' activities (information search, evaluation, decision making), sellers' promotional activities (convincing, presenting sales arguments, gaining access), as well the mutual relationship processes. Reference communication and external third actors can be assumed to serve as triggers and contributors during diverse initiation processes, and thereby impact how the initiation processes are launched, speeded up or slowed down. Next, the reference communication and third actor themes are studied empirically, in order to extend knowledge on how reference communication and third actors contribute to initiations. The aim of further investigations on reference communication and third actors is, through data driven analysis, to provide categorizations of their occurrence and functions in initiations.

4 AN EXPLORATION OF REFERENCE COMMUNICATION IN THE INITIATIONS

4.1 Theoretical background of the reference communication theme

4.1.1 Reflections of reference communication in initiations within the literature

Relationship initiation is a complex situation and decisions related to new business relationships often have far reaching consequences. Therefore, intensive information seeking, mutual communication, and information processing, are crucial when firms initiate new business relationships, sell for or buy from new counterparts (see e.g. Andersen & Sørensen 1999). Information search and being familiar with counterparties tends to reduce risks, and therefore the literature broadly acknowledges how business actors want to execute their business activities with actors who are known and whose robust performance is already recognized (see Larson 1992, Ewing et al. 1999). Moreover, as firms are more knowledgeable about the competencies of their potential partners, this helps to reduce the time spent searching for and evaluating partners (Wilkinson et al. 2005).

However, in an initiation situation, no common past exists between the dyadic partners, and the actors may lack or have only limited experience regarding the potential partner. The increased risk forces them to gather credible information about the performance of their potential partners, and one option is to tap the “pasts” of others and rely on the experiences of others. In other words, the customer relies either on the “experience” or “judgment” of other clients, experts, or other actors in the field who possesses valuable information about the focal business actor. This kind of information is conveyed through word-of-mouth, reputation and references, which all help to complete the detail that is lacking from direct experience, and thus help to predict the future of a relationship. The track record of the supplier, such as business references and the supplier’s own customer base, are important for buyers when they choose partners with matched characteristics, because such information assists “assortative mating” in business (Wilkinson et al. 2005). A continuous history of error free performance on the part of counterparty is a good “assurance” of future performance (Crosby et al. 1990).

This chapter focuses on “reference communication”, which is important in b-to-b markets for many reasons. First, the markets are overloaded with information, and therefore this kind of communication offers relevant, useful information for relatively little cost, *cheaply and effectively* (see Andersen 2006, Andersen & Sørensen 1999). New techniques for finding information, such as IT and the Internet, have lowered the cost of collecting information, but have at the same time increased information overload. As markets become saturated with information, it is increasingly difficult for customers to know and process all the alternatives. As a result, decision makers will not pick through “the entire haystack”; instead, they look only until they find a few good alternatives (Andersen 2001, 173), and seek credible sources that cost less in terms of interpretation (Andersen & Sørensen 1999). In such situations, advice and experience acquired through e.g. word-of-mouth can help them become informed without engaging in cognitively demanding and time consuming search activities (Walsh et al. 2004). Such information needs to satisfy information requirements, and if the information is generated by a person who knows those, the information itself can be better tailored to meet the relevant needs, since social relations are especially able to transfer complex information that is difficult to articulate (Andersen 2006).

Secondly, due to the externals involved in the communication, this kind of communication is perceived to provide credible information. Credibility is usually affected by whether or not the information is provided by a marketer rather than an unbiased third-party information provider. Customers rely on communication types such as word-of-mouth because they come from impartial advocates who are perceived as having no self-interest in pushing a product, and thus such communication is perceived as more credible than marketing activities designed and implemented by the firm (Silverman 2001, Villanueva et al. 2008, Hansen et al. 2008). Consumers in b-to-c fields consider such communication the most credible (Gremler, Gwinner and Brown 2001, Walsh et al. 2004, 109), and parallel notions also exist in b-to-b fields (Ellingson et al. 2006, Bunn 1993). The seller party has only limited control over this type of communication; and due to external actors and elements, it is always relatively uncontrollable. Furthermore, credibility increases because “experience records” and reputation are controlled and formed by external stakeholders (Löwendahl 2005), and word-of-mouth and reputation have a reciprocal effect on the reputations of those involved; in other words, they impact the information sources’ own reputation (see Stuart, Hoang and Hybels 1999).

Thirdly, in business-to-business markets, marketing communications do not lean on advertising to the same degree as b-to-c marketing communications tend to (Money 2000); instead, b-to-b buyers rely on messages originating from other communication practices (see Bunn 1993). In such situations, reputation, references and referrals are valid means of communication and information sharing between marketers and their potential clients. However, the marketing literature has devoted more attention to traditional advertising than to word-of-mouth, potentially because of the difficulty of studying the highly informal word-of-mouth processes (Money 2000). The rapid spread of word-of-mouth elements can lead to more formal publicity, and that makes it an important channel for young firms and in turbulent industries (Mason 2008).

The influence of word-of-mouth is particularly critical in professional services industries, where informal communication gained through word-of-mouth and reputation constitutes the primary source of information for customers, and mass media communications such as the yellow pages and advertising have been considered the least effective (Money 2000, Waller et al. 2001, Ellingson et al. 2006). The findings of several studies emphasize the importance of references, referrals, word-of-mouth and reputation in initiations: Referrals have been found to be twice as effective, for new customer acquisition, as cold calling (Money 2000). The most effective practices for advertising agencies were personal contacts with top management, and positive recommendations from satisfied clients, and reputation (Waller et al. 2001). Reputation, quality work, word-of-mouth and recommendations were considered the most effective marketing activities in the accounting industry in Norway and the US (Ellingson et al. 2006, 145). Networking with other professionals and referrals from existing clients were found to be the keys to new business relationships in the accounting field (Feldman Barr et al. 2003). In surveyor consulting, new customers came mostly via recommendations or referrals (Hoxley 1995). In the Finnish context, referrals and reputation were again found to be crucial; for example, in the attorney business (according to Asianajoalan asiakastyytyväisyys 2004), referrals from a circle of acquaintances and the reputation of a firm or a particular expert were clearly thought to be more effective paths (about 30% of clients came via these channels) than web pages or an advertisement in a telephone directory (about 1% of clients came through these paths).

This chapter investigates communication types such as referencing, and spreading word-of-mouth and reputational information, which involve credible externals that have had some experience of exchange and the opposite party’s performance. The phenomenon is discussed within the scattered literature and therefore the labels for the phenomenon vary. Figure 13 illustrates the main literature fields and conceptualizations that build understanding on reference communication in initiation situations in b-to-b fields. The literature domains discussing word-of-mouth, references and reputation illustrate the features embedded in reference communication. The b-to-b marketing communications or signalling literature discuss intentional and unintentional communication, in which diverse messages, signals and symbols are conveyed through various communication channels by the marketer itself or by other actors; reference communication can be considered a part of such communication. The buying literature, selling literature and relationship development literature illustrate the functions of reference communication in initiation situations, and suggest information attributes, too.

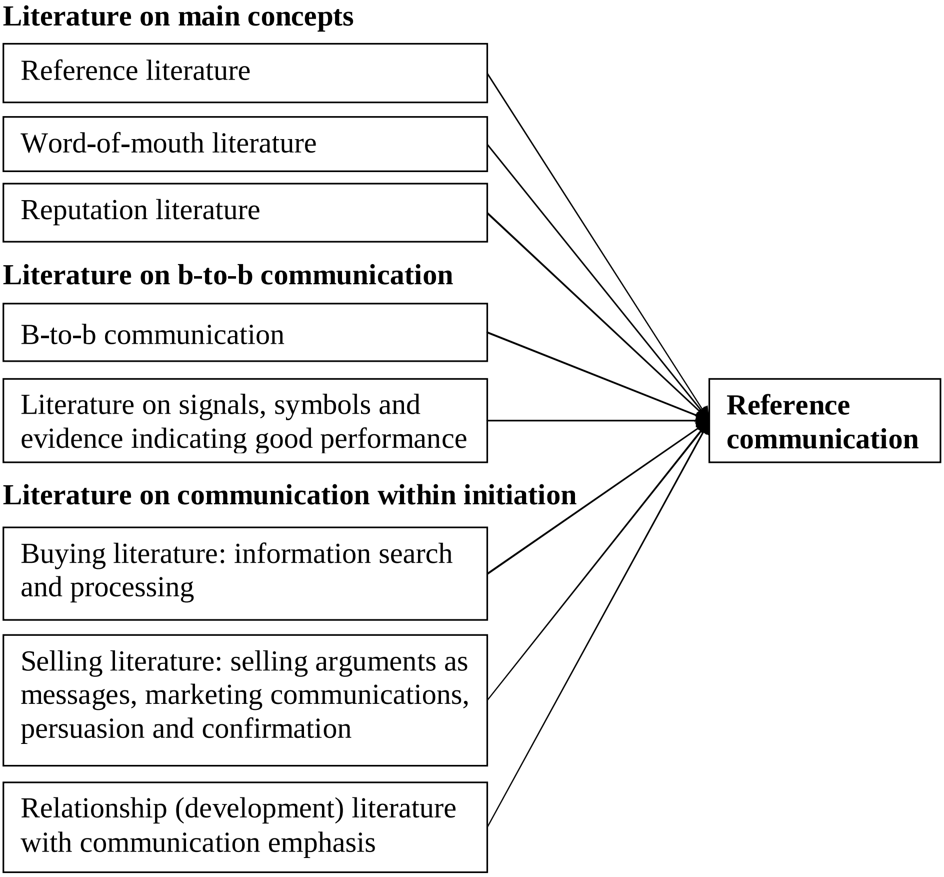

Literature on main concepts
Reference literature
Word-of-mouth literature
Reputation literature
Literature on b-to-b communication
B-to-b communication
Literature on signals, symbols and evidence indicating good performance
Literature on communication within initiation
Buying literature: information search and processing
Selling literature: selling arguments as messages, marketing communications, persuasion and confirmation
Relationship (development) literature with communication emphasis
Reference communication

Figure 13 Theoretical background of the reference communication theme

Business actors may acquire experiential information through references (Salminen & Möller 2006, Ruokolainen 2005), referrals (Wheiler 1987, Boles et al. 1997, Herriott 1992, Johnson et al. 1998), recommendations (Boles et al. 1997, Waller et al. 2001), word-of-mouth (Money 2000, Waller et al. 2001), reputation (Yoon et al. 1993, Fombrun 1996, Caruana 1997), and testimonials (Salminen & Möller 2006, File et al. 1992). Such reference communication can be delivered and communicated forwards through various channels, for example, through the mass media or personal face-to-face channels.

Furthermore, reference communication can be considered one type of communication that comprises intentional and unintentional communication, and signalling from within the business markets that aims to convey information on the business actors' performance. Planned and unplanned messages and signals originate from a variety of information sources, and have various credibility effects and bias. Such messages originate from **seller-dominated sources** (Newall 1977) i.e. company driven marketing communications (Grönroos 2004, 107), or **buyer-dominated sources** (Newall 1977) i.e. customer driven communication (Grönroos 2004, 107). Grönroos (2004, 105–106) distinguishes **planned marketing communications** (such as traditional advertising, public relations and sales activities), which makes promises on how a solution to a customer's problem should function, and **unplanned messages**, which are communicated through news stories and word-of-mouth, and which are the result of how customers and other individuals perceive the offerings.

One b-to-b communication research stream related to the reference communication phenomenon is the signalling paradigm (see Hansen et al. 2008). This literature stream suggests that the marketplace conveys **signals and symbols** that provide "hidden information" and cues, especially when quality is hidden (Duncan & Moriarty 1998, Rao 1994). The literature stream discusses sending and receiving various signals and symbols (Herbig and Milewicz 1994b, 33), legitimation symbols (Rao 1994), and symbolic actions (Zott & Nquyen Huy 2007). Herbig and Milewicz (1994b) consider sayings, objects, behaviour and stories as signalling that provides information beyond the activity itself, and which reveals insights into "the unobservable, the message within the message". Executives are constantly seeking such signals with which to evaluate the firms they do business with, and their competitors, and thus improve their own choice of action (Herbig & Milewics 1994b, 20, 33). However, Herbig and Milewics (1994a,b) mostly focus on marketer originated signalling, not on that from external sources. Rao (1994, 32) stresses legitimation symbols, such as winning prizes and awards that legitimate organizations and validate their reputation, because winning indicates that the firm belongs to winners and "winners are better than losers". These kinds of symbol establish credibility and structure a company's search in crowded and confused markets. Zott and Nguyen Huy (2007) discuss how firms themselves can utilize symbolic actions. For instance, **o**rganizational achievements are communicated through track records, industry awards and reputation, and good stakeholder relationships are conveyed by dropping high profile names of prestigious partners and mentioning relationships with famous people or companies. On the basis of such symbolic actions, people draw inferences about the performance of the firm. Andersen and Sørensen

(1999) distinguish three information types that business actors use in their choice of inter-organizational partners: objective information, experiential information and reputational information. First, objective information is open and inter-subjective data; secondly, experiential information is partly unconscious tacit knowledge and is subjective, transmitted through social interaction; and the third type, reputational information, is located between the other two types as it contains objective facts but adds some form of interpretation and valuation to them. This study assumes that business actors receive experiential/reputational information particularly through references, reputation and word-of-mouth.

The term **evidence** also reveals some dimensions of reference communication, since actors are assumed to seek and provide evidence of good performance, through reputation, word-of-mouth statements and references. The evidence can be defined as “factual statements originating from a source other than the speaker, objects not created by the speaker, and the opinions of persons other than the speaker that are offered in support of the speaker’s claims” (originally McCroskey 1969, 171, Reinard 1988, 5). The evidence comprises facts – such as statistics, examples – and opinion testimonies (Reinard 1988).

Reference communication becomes relevant because it is often employed in buying, selling and relationship initiation (e.g., Wheiler 1997, Henthorne et al. 1993, Ellingson et al. 2006). Substitutes for experience, gained through reference communication, are assumed to be relevant in initiations, particularly when parties are unfamiliar to each other, when the buyer is inexperienced, when the seller is new to the market, or the offering is complex.

Word-of-mouth and reputational information is important in the early phases of relationship development, since it builds awareness during its pre-relationship phase (Andersen 2001, Andersen & Sørensen 1999). Reputational information also has relevance when parties are judging whether they are suitable for one another, since it eases narrowing down and ranking a set of potential suppliers (Andersen & Sørensen 1999). The information needed for this purpose is of a general nature and its scope is relatively broad (Andersen and Sørensen 1999, Andersen 2001). Andersen (2001) stresses particularly the sellers’ role in pre-relationship communication, since he believes that awareness building requires one-way communication, e.g. advertising that develops an attractive profile in the mind of the prospective buyer and encourages the buyer to look for more information on that supplier, but he notes that information acquired through referrals and reputation completes this marketer-originated communication at the early stage.

From the prospective seller’s perspective, performance signalling through reference communication often relates to a situation in which the seller needs to communicate its offerings and performance. The need for reference signalling is in this context at its highest when the seller is not known to the market: for example, when a relatively unknown seller firm tries to enter new markets or the seller tries to enter markets where technological uncertainty is high (Jalkala & Salminen 2005, Salminen & Möller 2006). In such situations, references (Ruokolainen 2005), word-of-mouth (Money 2000) and the reputation (Yoon et al. 1993) of the seller may help a company enter the market. Startup organizations and mature organizations entering new markets confront parallel but different communication challenges. Mature organizations have a track record in another industry or region (Rao 1994). Moreover, a mature firm's longevity supplies twofold risk reducing information: first, it offers extrinsic clues about the firm's quality by suggesting that a firm that has survived longer is more likely to survive into the future and, secondly, the availability of a longer and more substantial track record enables customers to make a more precise prediction of the firm's future performance (Desai, Kalra and Murthi 2008). Therefore, compared to established mature firms, young firms that lack a track record need more "endorsements" and positive evaluations from high status actors (Stuart et al. 1999, Zott and Nguyen Huy 2007, Rao 1994). A first customer reference is especially crucial for a startup technology company attempting to enter the b-to-b market with complex products (Ruokolainen & Mäkelä 2007).

The seller party can employ reference communication that involves customers and other external advocates in their sales activities in a variety of direct and indirect ways, as existing satisfied customers and advocates in the industry can generate new business through their recommendations and communication networks (Waller et al. 2001, Johnston & Levin 1996), and provide opportunities for the seller to approach customers with its referrals (Moncrief and Marshall 2005). The role of word-of-mouth and reputation in customer acquisition is especially emphasized for SME marketers, since small firms have limited marketing communications budgets (Villanueva et al. 2008, Feldman Barr et al. 2003, Thrassou and Vrontis 2006). Sellers can also employ reference communication not only to reach customers but to present their skills and competence, too. The seller needs to communicate the organization's knowledge, experience, problem solving capabilities and customer orientation, and this kind of competence based information is usually transmitted through "experiential" communication practices and tools which enable the customer to test and compare the suppliers' skills (Golfetto 2003); references can be considered part of this communication set (Jalkala & Salminen 2006). In complex, knowledge intensive services or technological project offerings, particularly previous references illustrate the complex and tailor made solutions sold to buyers and convey information about credence dimensions (Salminen & Möller 2006, 17, 21), narrowing the credibility gap that arises from newness, complexity and the high cost of the product (Ruokolainen & Mäkelä 2007).

Reference communication is important to buyer parties as it can be employed to make better decisions and reduce risk. A buyer can use its prior experiences or rely on an external information search from impersonal advocate sources (such as the mass media), impersonal independent sources (such as reports), personal sources (such as salespeople), and personal independent sources (such as colleagues and friends) (Newall 1977, Bunn 1993, Gilliland & Johnston 1997, Johnson et al. 1998). Information from external personal sources is the most appreciated (Henthorne et al. 1993), and thus buyers often complete their minor experiences by utilizing the opinions of customers and experts, who provide evaluations based on their own personal experiences (File et al. 1992, Wheiler 1987, Johnson et al. 1998, Turnbull and Meenaghan 1980). Veres (2009) found that buyers of competence based projects utilized external information particularly when forming a view of the supplier and in estimating the risk, since recommendations and good references suggest a less risky operation. He also found that buyers, who often do not have a precise idea of their needs, relied more on a supplier's reputation than on any other information. Reference communication may provide information also to more experienced buyers; even though the buyer may possess some degree of experience, it cannot always generalize existing experiences. For example, the buyer may have experience of an advertising firm planning a concept for a trade fair, but does not know whether the advertising firm is good at planning a new Internet based campaign, and therefore the customer firm may need to employ reputational information (Andersen & Sørensen 1999). Positive word-of-mouth also demonstrates an existing customer's commitment to a relationship and thus provides information about the strong customer perceived value of the seller's previous customers (Hansen et al. 2008).

In sum, the existing literature provides many reflections of reference communication in initiation: to build a mutual relationship, both parties scan reputations and word-of-mouth to build trust and assess the potential for a common future. The seller party aims to promote its offerings and competences by utilizing referrals and references, which are also useful in approaching buyers. The buyer party can use references, reputation and word-of-mouth to find, evaluate and understand offerings and suppliers. The experiences and evaluations of other actors are employed by both the initiating parties, since they convey information about previous performance and are thus useful in initiating the new relationship.

4.1.2 Research questions on reference communication

Despite the significance of communication in the initiation process, it has received scant attention in the literature. Too little is known about communication when firms initiate, and the theoretical approaches are scattered. Therefore, this theme analyzes communication that delivers information about previous experiences; first, by merging reputation, references and word-of-mouth, and by investigating the common core of reference communication as an “umbrella concept”. Secondly, the theme aims to clarify each concept mentioned, and explore them as distinctive “experience delivery mechanisms” in the initiation of a new business relationship.

This chapter analyzes reference communication types as parallel but distinctive communication mechanisms in initiation situations. As a result, the chapter aims to enrich conceptual descriptions of references, reputation, word-of-mouth, and other related concepts, and to increase understanding of their contributions to initiations.

The main research question of this chapter is how are the previous experiences communicated through reference communication during initiations?

The similarities and dissimilarities of the concepts, and their role in b-to-b marketing communications in initiation situations, are investigated further by asking

- *What is the common core of reference communication?*
- *How is reference communication communicated?*

This latter question is studied by analyzing word-of-mouth, reputation and references in terms of the sender, external and receiver actors, channels, and message, which follow the primary elements of the traditional communication model.

The chapter proceeds as follows: first, each concept (such as word-of-mouth, reputation and references) is reviewed conceptually to explore the bases of reference communication. After that, various types of reference communication are gathered together, and the common core of reference communication is proposed. Then, a closer analysis of the empirical findings concerning reference communication types provides more explanation and deeper answers to the questions: how do the roles of the sender, the external and the receiver occur in reference communication, through what channels is reference information delivered, and what kind of information is shared as the message through reference communication during initiations.

4.2 Conceptual basis of reference communication: the main concepts

In the following, the practices and concepts for communicating experiential information are reviewed more closely. The main concepts linked to the phenomenon are the following:

- references (Salminen 1997, 2001, Salminen & Möller 2006, 2003, Jalkala & Salminen 2009, Jalkala 2009, Ruokolainen 2005, 2007, Gomez-Arias and Montermoso 2007, Grönroos 2000, Warsta et al. 2001)
- referrals (Wheiler 1997, Boles, Barksdale and Johnson 1997, File, Judd and Prince 1992, Herriott 1992, Johnson, Zinkhan and Ayala 1998, Money, Gilly and Graham 1998, Cornelsen & Diller 1998, Wilson 1994, Helm 2003, Wills 1992, Waller et al. 2001)
- recommendations (Boles et al. 1997, Johnson et al. 1998, Wills 1992, Waller et al. 2001)
- word-of-mouth (Money 2000, 2004, Mason 2008, Walsh et al. 2004, Yale and Gilly 1995, File et al. 1992, Martilla 1971, Wirtz and Chew 2002, Waller et al. 2001)
- reputation in contrast to image (Gotsi & Wilson 2001, Keh & Xie 2008, Helm 2007, Yoon et al. 1993, Karvonen 2000, Fombrun 1996, Caruana 1997, Waller et al. 2001, Aula & Heinonen 2002, Ruth & York 2002)
- testimonials (Braverman 2008, Salminen & Möller 2006, Waller et al. 2001, File et al. 1992)
- awards (Rao 1994, Zott et al. 2007, Waller et al. 2001)

These concepts are selected since they all require involvement with external parties and can all be considered communicational activity i.e. they all involve conveying information from one entity to another. Some concepts, such as gossips and rumours were excluded as they are not so well-established in the literature. Each concept is discussed in depth, in order to find similarities and differences between the concepts and to explore their role in initiation. The concepts seem to have some similarities, as an external actor participates in communication and communication conveys information based on the experiences of external actors. However, because the concepts have differences, too, they are divided into three main groups on the basis of their distinctive features in order to simplify and structure the following theoretical discussion. The groups are, first, references, testimonials and awards; second, word-of-mouth, referrals and recommendations; and third, sharing reputational information and building reputation. In the next section, these sub-concepts of reference communication are discussed in the light of the existing literature; how they are defined, what their distinctive features are, and how they may contribute to an initiation situation.

4.2.1 Providing references and testimonials

References

A customer reference is a well known concept for practitioners, but academic literature concerning references is very scarce (Salminen 1997, Salminen & Möller 2006, Ruokolainen & Mäkelä 2007, Jalkala & Salminen 2009). The reference literature usually considers references as marketing tools and stresses how references should be utilized, but ignores defining what the reference concept actually is (Salminen & Möller 2006, 5). A reference can be considered “an indirect proof, based on some practical or concrete evidence, like product, service or systems delivery, of a supplier’s capability of delivery” (Salminen & Möller 2006, 5). Salminen (1997) defines the reference concept as follows: “A reference is the supplier’s relationship to its existing/former customer that might be evaluated by the customer in terms of the supplier’s product/service, management, and cooperation performance”. Ruokolainen (2005, 10) redefines references in the following way: “a reference business case includes those verified sales arguments, such as return of investment, user experience and implementation time that are assumed to match with suppliers’ new potential customers’ business cases.” Ruokolainen and Mäkelä (2007) further elaborate Salminen’s definition, they regard the customer reference case itself (a supplier’s commercial product and services and the reference case of the product or services) and the reference customer as different entities. The lack of reference literature has forced researchers to search for a definition from the managerial literature or even pragmatic literature, such as institutional authorities’ public rules of procurement (Salminen & Möller 2006, 6).

The sellers’ view has been emphasized in the existing reference literature and the focus is on utilizing (Salminen 1997, Salminen & Möller 2006, Jalkala & Salminen 2009, Ruokolainen & Mäkelä 2007) or acquiring the references (Ruokolainen 2005). Salminen and Möller (2006) conducted their research in relation to references to relationship marketing, project marketing, services marketing, high tech marketing, marketing communications, market and product development: references are an instrument of a supplier that can be utilized to help promote tailor made projects to new customers. By using references, suppliers can pursue new customers, sell more products or sell new products to existing customers and focus their offers in promising markets (Salminen & Möller 2006). Salminen (1997) notes that the there are stages in using references: first, preconditions for communicating previous experiences (gaining experience) are created and then the reference information is shared in order to create new relations with new customers. Jalkala and Salminen (2006, 3) mention that reference communication can be perceived as a form of competence based communication (originally Golfetto 2003) with which suppliers can inform of their competences.

Reference as a term is only rarely used in the scientific literature and its term varies somewhat. Usually the concept is hidden in the concept of reputation or in “the experiences or names of previous customers” and the actual term reference is not used. Sometimes the actual reference term is used, but the content of the focal concept is not the actual reference but e.g. word-of-mouth (Salminen 1997, 20) References are related through such terms as “customer references”, “reference cases”, “supplier references”, “client references”, and “user references” (Salminen & Möller 2006, 5, Ruokolainen 2005, Jalkala & Salminen 2009). Less common terms are “company records” (Bunn 1993) “experience records” (Löwendahl 2005) or “track records” (e.g. Desai et al. 2008), which are close to the concept of reference.

References can be exploited through different kinds of channels and practices. References can be utilized through, for example, reference lists, articles in trade journals, press releases, promotional material, seminars, and web pages on the Internet (Salminen & Möller 2006, Salminen & Möller 2003, Salminen 1997, Jalkala & Salminen 2009). The channel by which references are presented also matters, since, according to Salminen and Möller (2006, 23), “the media that are perceived as neutral – scientific seminars/conferences, journals and magazines – have a higher credibility potential than advertising or sales representatives.” The simple way to use a reference is to use the “name” of a customer who would indicate a certain type of customer (Helfert and Vith 1999, 554). There are also different types of reference lists: the names of existing customers as a list, application segment specific lists, product specific lists, technology specific lists, and country/region specific lists (Salminen & Möller 2006, 2). References contain reference information that are “evaluations in the written of oral form about the supplier’s performance from its existing or former customer’s viewpoint” (Salminen & Möller 2004, 135). Jalkala and Salminen (2005, 168) discuss the characteristics of web based reference communication and claim that a website represents a relatively easy and inexpensive way to communicate references. They regard website references as offering customers more control in choosing and processing reference information compared to brochures and reference visits. Jalkala and Salminen (2005, 168) compare website references to trade shows: since both marketing practices act as “large international exhibition hall” where potential buyers can visit and compare exhibitors and potential suppliers.

The importance of references is rising because of the intensifying technological complexity, high knowledge intensity and the quality challenges of contemporary industries in utilizing references to prove their capability (Salminen & Möller 2006, 3). References may have various roles in initiations, and because the previous reference literature stresses the sellers' perspectives, as mentioned earlier, references also contribute to initiation and stress sellers' initiation activities. Reference lists are a supplier's tool, which they use to prove their capability to execute what they have promised Ruokolainen (2007, 5). With references sellers' can signal service quality, prove the functionability of their technology to a buyer, develop their image, reduce the risk perceived by a buyer, and enhance source credibility to convince a buyer about product and supplier performance (Salminen & Möller 2006, 11). Gomez-Arias and Montermoso (2007, 984) point out that reference customers offer important promotion support, since the existence of a reference customer implies not only the functionality of the product, but also shows that satisfied reference customers can become advocates for the new technology and help to spread its use in the industry. The environmental characteristics (e.g. intensity of competition) and supplier characteristics (e.g. size) affect how reference practices are used by the suppliers (Salminen & Möller 2006).

From a customer's perspective, references are used in evaluation. The customer "can utilize references as operationalized evidence in verifying a particular supplier's past/present performance" (Salminen and Möller 2006, 11, 20). The buyer can use the reference material to evaluate the supplier's 'general' and 'particular' experience and 'performance' and infer the supplier's future oriented capabilities in successfully managing the target project (Salminen and Möller 2006, 8). Usually, the more complex the offering and the lengthier the commitment, the more reference information is required by the buyer. (Salminen & Möller 2006, 35) The professional service literature does not speak about references but it notes that buyers require that sellers have experience of similar projects when they evaluate them (Day & Barksdale 2003) and that they seek similar work pieces as risk reduction strategies (Mitchell 1998a) and thus this can be seen as the exploitation of references for evaluation and risk reduction as well.

Testimonials

Testimonials can also be considered to be a reference related concept. There is very little scientific literature about testimonials in the business markets. By definition, testimonials are personal written or audiovisual stories and descriptions of an individual experience. In a typical testimonial, an actor tells a story of successful (personal) experience and directly or indirectly encourages the audience to follow the actor's example (Braverman 2008). The persuasive effect of a testimonial is based not on systematic but rather on heuristic thinking, since testimonials can be considered as examples that provide cognitive shortcuts (Braverman 2008).

According to Spickett-Jones & Eng (2006, 235), testimonials build a firm's credence but they are rarely mentioned in the existing literature on marketing communications activities. Some providers employ ads featuring favourable testimonials from real customers through which, customers, especially new ones, can obtain information about experience attributes from people who have actually used the service (Yavas et al. 2004, 263). Loyal customers can be interviewed and interviews can be published in customer magazines or in an annual report, or a customer can be asked to give a presentation at customer seminars (Sipilä 1996, 174). Mason (2008) mentions similar activities but relates them to word-of-mouth whereas Salminen & Möller (2006) relate testimonials to references. Testimonials and case histories (cf. reference concept) can be seen as the concrete output of a satisfied customer (File et al. 1992, 11). Cornelsen and Diller (1998, 208–209) distinguish testimonials from oral references such as word-of-mouth by pointing out that testimonials are not direct and private like word-of-mouth. Rosenbaum, Massiah and Jackson (2006) use the word "credentials" and state that more research is needed, such as credentials in advertisements, written communication and customer behaviours.

In consumer markets, Braverman (2008) suggests that testimonials are effective practices for conveying information, because they are generally more interesting, easier to follow, vivid and serve as heuristic cues. Braverman (2008) found that testimonials are more persuasive when presented through the audio mode than through the written mode partly because additional emotional information can be conveyed by a speaker's tone of voice, which increases message transportability and vividness. Testimonials are also more persuasive when they are perceived by individuals who are highly involved in the topic.

Awards

The literature review revealed that winning awards should be considered a kind of reference. Awards won in contests are seen as signs of success and: contests organized by independent intermediaries are social tests and stand for impartial testing. Thus, winning an award implies success and invests an organization with credibility (Rao 1994, 32, 39). Awards can also be considered as externals' evaluations that objectify presumptions of competence. Firms themselves can present the awards they have won as references on their web pages (see Zott et al. 2007, 81). Also Waller et al. (2001) state that awards presented in the media establish award winning suppliers as leading organizations in the focal industry.

4.2.2 Spreading word-of-mouth, referrals, and recommendations

The word-of-mouth, referral, and recommendation concepts are oral referencing activities, and in the previous literature these concepts are intertwined and therefore they are discussed here as one category.

Word-of-mouth can be defined as “Oral, person-to-person communication between a perceived non-commercial communicator and a receiver regarding a brand, a product, or a service” (originally Arndt 1968, 190, Gremler & Brown 1999, 273). Word-of-mouth is said to be an experience delivery mechanism, independent and therefore credible, time saving, custom tailored and therefore relevant, although this is dependent on the nature of the source (Silverman 1997, 37). Word-of-mouth is *private and subjective* in nature and this kind of communication expresses private opinions (Cornelsen and Diller 1998, 209) and subjective evaluations (Mason 2008, 207). Word-of-mouth is based on the sharing of risk and talking with others about a product, and comparing experiences (Silverman 1997, 28). Word-of-mouth communication by customers is based on a customer’s long term experiences and it reflects the nature and value of their perception of relationship episodes or service encounters, as well as psychological comfort/discomfort with the relationship (Grönroos 2000, 269). The non-commercial nature of word-of-mouth is stressed since it is external information from an *independent* source and it is offered by someone who does not receive monetary rewards for it (Boles et al. 1997, 256, Gremler & Brown 1999, 273, Herriot 1992, Wheiler 1987).

Word-of-mouth originates from various sources. It is not only customers, who act as a source of positive word-of-mouth, since communication can spread within and between organizations (Martilla 1971, 173, Herriot 1992, 4) and between the industries (Wilson 1994, 13, Wheiler 1987, 195). It can spread between personal contacts (like a friend or relative), business “insiders” (such as partners or investors), among competitors and the providers of complementaries, from generalists to specialists or among the actors in a value chain (Feldmann Barr & McNeilly 2003, 722, Money 2000, 321–322, Herriot 1992, 5–6, Gremler et al. 2001, 44).

In the literature, concepts referrals, recommendations and word-of-mouth are used in rather an indefinite way. Referrals and recommendations can be considered one form of positive word-of-mouth (Wheiler 1987, Helm 2003, 124). A recommendation is a positive statement from, for example, a satisfied customer (Boles et al. 1997). Wheiler (1987, 194) defines referrals generally as “[i]nformation about service providers obtained from a personal, independent source”. According to Herriot (1992, 9), referral behaviour is in question when customers are advised to use the services or products of another firm. Boles et al. (1997, 263) differ “willingness to refer” and “willingness to recommend”: they do not define the concepts referral or recommendation, but in their measurement constructs “willingness to refer” concerns e.g. the providing of names of other prospective customers when asked by a salesperson or to the giving of referrals to the salesperson. “Willingness to recommend” is e.g. the recommending and naming of the salesperson to the new customer in case of she/he asks. Salminen

(1997, 117) states that the ultimate purpose of the referral is to send customers to another firm, whereas the purpose of the reference is to evaluate performance.

To conclude, word-of-mouth in general is a subjective and private oral interpersonal evaluation and statement. Word-of-mouth can be a negative, neutral or positive evaluation, statement or opinion. Referrals and recommendations as part of word-of-mouth: referrals are “advice” to contact someone and recommendations are always positive evaluations.

In initiations word-of-mouth can have various roles: buyers in extended problem solving situations with a high involvement and high degree of risk use the opinions of experienced customers and other sources, who provide their evaluations (positive or negative), based on their personal experiences, through word-of-mouth (Wheiler 1987, 194, Johnson et al. 1998, 398, File et al. 1992, 6). Since this information assists them in comparing and choosing service providers and evaluating their heterogeneous and complex offerings with credence qualities (Thakor and Kumar 2000, 72–73). Word-of-mouth is crucial, particularly for sellers, since word-of-mouth and referral networking is a major source of new business and customers, especially for service firms (Waller et al. 2001, 130, Feldmann Barr & McNeilly 2003, 722, Johnson et al. 1998, 397, Mason 2008). Referral activities can even change the atmosphere of an interaction from that of “selling” to a more “consultative” nature (Boles et al. 1997, 259), and thus facilitate the seller’s initiation activities. Word-of-mouth can be utilized through various activities. According to Mason’s empirical research (2008, 217–218) the marketer can exploit word-of-mouth by encouraging and receiving referrals, by putting existing and prospective customers together in an environment that encourages discussion about the company and its products, by using clients as spokespersons in print or at special events (cf. testimonials) and by encouraging word-of-mouth and discussion on electronic forums.

4.2.3 Building reputation and sharing reputational information

The concept of reputation is linked to various branches of research, such as the Resource Based View and Transaction Cost Theory (Nunlee 2005). Resource based theory sees company and product reputation as intangible resources that are rare, socially complex, and difficult to trade and imitate, and thus they contribute to performance differences among organizations (Rao 1994, 29, Andersen & Sørensen 1999, 217). According to Nunlee (2005) reputation can also be related to the Transaction Cost Approach and seen as a social control mechanism, since parties receive information through the social network on how parties respond based upon past performance.

Reputation concept (corporate reputation) is defined as “a stakeholder’s overall evaluation of a company over time. This evaluation is based on the stakeholder’s direct experiences with the company, any other form of communication and symbolism that provides information about the firm’s actions and/or a comparison with the actions of other leading rivals” (Gotsi and Wilson 2001, 29). Fombrun and Shanley (1990, 234) state that “reputation is the aggregation of information into collective judgments that crystallize into reputational orderings of firms in organizational fields”. According to Bromley (2001, 317), reputation is “a distribution of opinions (the overt expressions of a collective image) about a person or other entity, in a stakeholder or interest group”. Andersen & Sørensen (1999, 216) define a reputation as “a bundle of attributes and the interrelationship among them, shared among a group of individuals in a socio-cognitive community” and this community can be grounded in professions, markets, industries, networks or geography.

Thus, reputation also originates from relatively external information sources and therefore it can be seen as uncontrollable communication. This is because “organizations have limited control over their reputations” (Bromley 2001, 332), and therefore reputation is seen as a credible source of information (Yoon et al. 1993) as it is based on the experiences of the customer, on information that emerges through communication between the marketer and customers and on information that spreads through word-of-mouth (Yoon et al. 1993, 218). Caruana (1997, 110) states that reputation can be formed even when the experience is not direct and it is passed on directly through word-of-mouth or indirectly via the media or other public forms of discussion – and this relates the reputation concept to the concept of “publicity” since publicity impacts on reputation. Besides the news media and intentional marketing communications there are informal people-to-people networks that create and invariably propagate information and rumours (Fombrun 1996). To summarize, reputation is formed on the basis of direct and indirect experiences and information received. Even if some literature suggests that reputations ”are built”, a reputation emerges from a firm’s real activities and performance among stakeholders, not only from the firm’s intentional communication (see Karvonen 2000, 69; Ruth & York 2002). Hansen et al. (2008, 208) regards reputation as “a sort-of market validated information – a company would not have a good reputation unless the market thought so”.

Collectiveness is an obvious feature of reputation, since there are several reputational perceptions from the various perspectives of different interest groups in the air, and these various perspectives are merged. Since companies live in a tightly connected world, reputations circulate throughout an industry, when different kinds of stakeholders recount their personal experiences to others (Fombrun 1996, 140–142, 151). Reputation sharing is a community’s controlling mechanism: by using reputation as a “guide”, individuals and firms can avoid opportunism, and therefore they share information concerning other actors' reputations (Nunlee 2005, 523). Reputation can be considered a central transmitter of information in a socioeconomic community, which is controlled by mechanisms of social control and reciprocal norms (Andersen & Sørensen 1999, 217). Rao (1994, 30) sees reputation as the outcome of the process of legitimation, that is also the cognitive validation of an entity as desirable and proper in a widely shared system of beliefs and norms.

Reputation is not only created but also sustained through collective processes. Reputation relates a firm's present socially confirmed performance to its future performance. According to Herbig and Milewics (1994b, 21) reputation is seen as a reflection of an entity's willingness and ability to repeatedly perform an activity in a similar fashion and it is based on the *consistency* of its actions over time. If a firm repeatedly fails to fulfil signals, it will lose its reputation. Thus reputations are established by fulfilling signals and it is a measure of whether an expected action is actually performed (Herbig and Milewics 1994b). Reputation presumes a tight coupling between past actions and future expectations (Rao 1994, 30) and therefore reputation can be used as an indicator of future behaviour (Nunlee 2005, 516).

The sister concept to reputation is **image,** which is often confused with reputation (Andersen & Sørensen 1999, 216), and therefore discussion about the relation between reputation and image is needed. According to the wide literature review made by Gotsi and Wilson (2001), there are four different schools of thought on the relationship between corporate reputation and corporate image as to whether they are seen analogous or differentiated. First, reputation and image can be seen as analogous concepts: corporate reputation = image. Secondly, reputation and image can be seen as differentiated: reputation as opposed to image, where image can be manipulated. Thirdly, image can be affected by reputation, corporate reputation leads to a corporate image. Fourthly, the mechanism can be seen as working in the opposite direction: image affects reputation: reputation affects image. This study agrees that image and reputation are in interaction. However, in this study image is excluded on the basis of the assumption that "image building" originates more directly from the marketer and instead, "reputation building" is based more on the collective shared judgments of externals.

Firms can have several "sub-reputations", because large organizations have several constituent parts, such as divisions and departments, and the reputation of a constituent does not necessarily match the reputation of the whole organization. Helm (2007) suggests that a firm does not have one distinct reputation; instead the general reputation of a firm consists of several group specific reputations among different kinds of stakeholders, since they all have different kind of perceptions of corporate reputation. For example, consumers perceive consumer specific reputation that stresses product and service quality, investors perceive investor specific reputation that stresses financial performance, and employees perceive employee specific reputation that stresses the workplace environment. Interactions between these reputations can even be complicated (Bromley 2001, 332). Because reputations are specific to individual areas, a firm may have a positive reputation for quality in one area and a negative reputation for quality in a different area amongst the same audience (Jensen & Roy 2008). Also personal reputation differs from company reputation. For example, Løwendahl (2005, 95) distinguishes individual reputation from the professional and organizational reputation of a firm. Similar recent findings by Zott et al. (2007) show how the personal reputations of key persons in startup firms were used to supplement the missing reputations of a new startup firm. Also, the empirical study by Larson (1992, 86) shows how reputation was especially crucial for entrepreneurial firms, and that individual entrepreneurs used their personal reputations in relationship creation when their company reputations were not established.

In initiations reputation can have several contributive roles. For example, by using reputation as a “guide”, individuals and firms can choose successful providers and avoid unsuccessful providers. Reputation has value in an initiation situation for both the reputation holder and the user (see Andersen & Sørensen 1999, 216). From the holder’s point of view, a positive reputation may support marketing activities and trust building, and easier access, since others see the probability of opportunistic behaviour as less likely. Yoon et al. (1993) regard the roles of reputation as an aid in rapid market penetration and as helping in marketing communications by affirming the messages sent by a firm. Also buyers benefit from reputation in initiations: company reputation indirectly affects a buyer’s expectations and buying intentions (Yoon et al. 1993, 222) and in professional services, reputation has been one of the more important selection criteria when selecting within the field of management consultancy (Dawes et al. 1992, 190) and architectural and engineering firms (Day and Barksdale 2003, 86). Due to the fact that positive reputation is based on superior performance over a certain period of time, it can strengthen customer trust and reduce risk when they make judgments on organizational performance and the quality of products or services (Keh & Xie 2009). A good reputation raises the attraction of the seller firm because customers are willing to believe that companies with a good reputation are competent, have superior products or services, are trustworthy and consider the interests of both parties (Keh & Xie 2009, Leonidou 2004). Customers are also willing to associate themselves with firms with a good reputation as part of their self-articulation and self-enhancement, since highly regarded sellers can facilitate their customers’ external image according to social identity theory (Keh & Xie 2009).

4.3 Conceptual synthesis: the introduction of the reference communication concept

After reviewing and defining the main concepts – references, reputation and word-of-mouth – and discussing their characteristics, the next step of the analysis is to capture and validate their similarities and differences between these concepts in order to distinguish the basic features of reference communication. This investigation is achieved in the following sections through conceptual analysis, in order later to investigate empirically the concepts' similarities as well as each concept's individual features and contribution to initiations.

4.3.1 Aggregating the core of reference communication

The literature review reveals that the main concepts have similar features and resemble each other: e.g. reputation is linked to word-of-mouth (Yoon et al. 1993, Caruana 1997, Hansen et al. 2008), referrals, word-of-mouth, testimonials and references are linked to each other (Salminen & Möller 2006, File et al. 1992, Grönroos 2000, Mason 2008), and reputation is linked to references (Ruokolainen & Mäkelä 2007, Salminen & Helm 2010). Moreover, on the basis of the literature review, some relevant similarities can be distinguished between references, reputation, word-of-mouth and other sub-concepts, even though clear differences between the concepts can also be discerned (see Table 3).

Thus, these theoretical cues, such as cross-references and displayed similarities within the literature review, indirectly indicate that there are parallel features on the basis of which concepts are linkable and even integratable.

Four common core features emerge from the diverse literature review taking in references, word-of-mouth and reputation, and other related concepts:

1. Each concept involves *the external actor* in a dyad, who receives no monetary reward.
2. Each concept is based on the possession of *previous experience and information* (about the marketer and the marketer's performance).
3. Each concept is the result of sharing experiential information: the experience based information gained is *shared with others and communicated to others.*
4. In each concept, experience and information are based on previous transactions, but are often related to future transactions.

Table 3 The common features of the concepts within the literature

The feature	***References***	***Word-of-mouth***	***Reputation***
The external actor is involved	Existence of reference customers creates preconditions for referencing (Salminen & Möller 2006).	Word-of-mouth is spread by a non-commercial communicator (Arndt 1968, Gremler & Brown 1999, Silverman 1997).	Reputation is collective judgments made by individuals and the community, by various stakeholders (Gotsi & Wilson 2001, Bromley 2001, Helm 2007).
Information based on experiences of performance	References include information on verified return on investment and user experience (Ruokolainen 2005).	Word-of-mouth expresses subjective evaluations; it conveys the communicator's experiences (Silverman 1997; Mason 2008).	Reputation is based on stakeholders' overall evaluation of a company over time, and experiences based on communication and performance (Gotsi and Wilson 2001; Karvonen 2000; Fombrun 1996).
Information is shared	References are signalled and communicated by the seller (Salminen & Möller 2006; Jalkala & Salminen 2009).	Word-of-mouth is "talking with others" about a product; it is person-to-person communication between a non-commercial communicator and a receiver (Arndt 1968, Gremler & Brown 1999, Silverman 1997).	Reputation is built and regenerated when various stakeholders communicate their judgments and encounters (Fombrun 1996, Karvonen 2000; Caruana 1997).
Information sharing is related to future actions	References are used to generate future business (Ruokolainen & Mäkelä 2007). The more uncertainty in the future, the higher the expected need for referencing (Salminen & Möller 2006).	Word-of-mouth concerning service experienced conveys information on services' credence qualities for new clients (Thakor and Kumar 2000) Experiences are shared and compared to share also potential future risks (Silverman 1997).	Reputation in the community as a controlling mechanism guides actors to choose good providers and avoid poor ones in their future choices, since a good reputation indicates success in the future; reputational information is used in decision making (Nunlee 2005, Rao 1994; Andersen & Sørensen 1999).

The four features' occurrence within the literature is condensed in Table 3. The core element is the **external actor** involved in reference communication without monetary reward. External actors can be either individuals or organizations acting as references or providing referrals, recommendations and assurances of reputation. The external of a dyad is crucial in communication, because the external element confirms the source credibility and "objectivity" that makes reference communication "uncontrollable" and "unplanned" for sellers, but trustworthy for buyers. As Figure 14 and Table 3 demonstrate, reference communication messages can originate from outside an organization through word-of-mouth, or from the seller's organization through testimonials and references. Thus, external actors have a variety of roles and status in passing on reference communication.

Secondly, reference communication conveys **information on positive and negative experiences** (though this study stresses positive reference communication). This experience can present customers' or other stakeholders' perspectives on the performance of a marketer.

Thirdly, the experiential information embedded in reference communication comes from numerous types of information source, and is **shared through diverse personal and impersonal channels** in oral or written form. Reference communication is assumed to be embedded in primary b-to-b marketing communications practices, such as sales brochures, advertisements, trade shows, direct mail, company records, demonstrations, press releases, social events and contacts, and personal selling by sales representatives (see Spickett-Jones & Eng 2006, Bunn 1993).

Fourthly, reference communication employs past behaviour and experience to extrapolate the likely future performance of a firm and the relationship potential of an emerging relationship. Reference actions are based on past experiences and former transactions, but are still oriented towards future transactions, as in a world of imperfect information, actors need to rely on proxies derived from the past to make rational assumptions about the intentions and future behaviour of other actors (Rao 1994); thus reference communication is employed to illustrate or predict future performance. For example, in initiations the buyer aims, when evaluating and choosing sellers, to predict a seller's future performance through historic reference information offered by external parties via references, reputation and word-of-mouth activities. Equally, sellers employ such information to build an image of a trustworthy supplier, by utilizing previous cases and customers as examples that testify to their previous robust performance and relationship potential.

As a result of the review, the concepts of reputation, references, referrals, recommendations, word-of-mouth, testimonials and awards are integrated into one "reference communication" concept (see Figure 14). Some reference communication is collective by nature (e.g. reputation and awards), and some is more personal (e.g. word-of-mouth). These concepts convey information provided by credible externals that helps to complete knowledge that is lacking, or flesh out imperfect experiences in initiation processes.

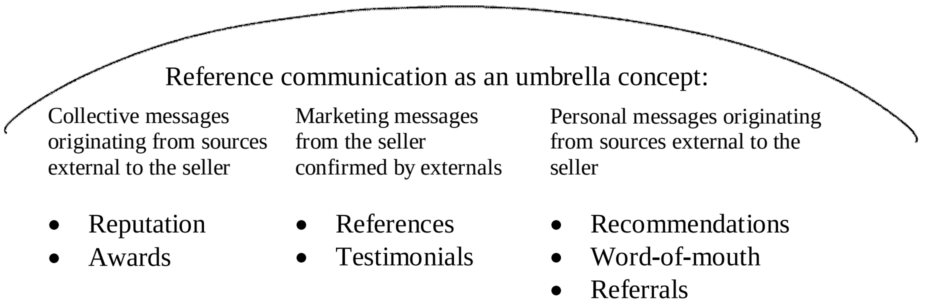

Reference communication as an umbrella concept:
Collective messages originating from sources external to the seller
Marketing messages from the seller confirmed by externals
Personal messages originating from sources external to the seller
• Reputation
• Awards
• References
• Testimonials
• Recommendations
• Word-of-mouth
• Referrals

Figure 14 Concepts related to reference communication

The term “reference communication” was chosen because it can be comprehensively linked to all the studied concepts. The term “reference” refers more generally and abstractly to the word’s meanings, such as “source of information”, “allusion”, and “a mention of someone or something” that all manifest the existence of an external source or object. Thereby, in this research, the term “reference” does not refer only to references as marketers’ tools, even though Jalkala and Salminen (2006) and Ruokolainen (2007) have used the term “reference communication” to refer to references alone. Other potential and considered labels for reference communication were experience based/experiential communication, and reputational communication.

4.3.2 Structuring reference communication through communication models

After defining the main concepts and gathering them together under the umbrella concept reference communication, the sections that follow provide an analysis of how reference communication occurs in and contributes to relationship initiations. The empirical parts are structured according to the analytical framework that is based on the general communication model. Since reference communication is regarded as one kind of communicational phenomenon, the classical model of communication offers a frame by which reference communication can be modelled to deepen our understanding of it as a communication type. The communication model is applied because it is quite general and therefore assists in simplifying and structuring the phenomenon, for the sender and the receiver, and with regard to the message and channel elements, thereby enabling the analysis and reconstruction of the mechanisms of each reference communication type.

The classical model of communication developed by Shannon and Weaver (1948) is the most commonly referenced communication model. The original Shannon-Weaver Model comprises the following elements: a source, an encoder, a message, a channel, a decoder, a receiver and noise, but it was later elaborated to comprise a sender and a receiver, who are connected by a channel delivering the message and the feedback generated.

The traditional model of communication has been used in various disciplines (such as communication, marketing, management, psychology) which emphasizes its importance (see Waller & Polonsky 1998). However, Shannon and Weaver's model was produced for communications technology, and the human aspect of communication was not built into the original model, so it should be considered an information model rather than a human-to-human communication model. Consequently, several writers have criticized the model for not reflecting the reality of communication and business communication: the model for example fails to capture the interactivity of communicative intercourse and ignores the fact that communication usually arises from more than one source (see Waller & Polonsky 1998, Andersen 2001). The traditional model describes a one-way process and the two-way dimension was added with a feedback element that enables a receiver to respond to the sender. The traditional model sees an individual in an organization send a single message to one receiver, or a class of receivers, but in practice there are often multiple senders, targeted receivers and messages (Waller & Polonsky 1998). In sum, the advantage of Shannon and Weaver's model is its simplicity and generality, but its disadvantage is that the receiver is seen as a passive target. Waller and Polonsky (1998) encourage researchers on business communication to undertake the further analysis of the traditional communication model, in order to advance its reflectivity of real business communication processes. This study on the theme of reference communication extends the traditional model by integrating the idea of reference communication into the communication model and by elaborating its fit with b-to-b communication.

The Lasswell formula of communication (originally 1948) is another basic and often referenced model of communication. Lasswell generated his model to research mass communication and propaganda. The Lasswell formula comprises five major components: the communicator, message, channel, receiver and the effect. The communicator is the source and the sender of the message. The message refers to the content of the communication, e.g. how are certain issues represented in the media? The channel carries the message, and it is usually thought of as being similar to the medium; but one medium can use several channels, for example television uses the audio and the visual channel. The receiver is the audience for the communication.

These models' structural elements are employed and included in an analytical framework (see Figure 15) that utilizes the elements of communication models (the sender, the message, the channel, the receiver and the effect). The models split communication into clear and established elements that can be used when different reference communication types are analysed and compared, and thus facilitates the identification of differences and similarities. In the following section reference communication is studied empirically with the analytical framework. The framework includes also conceptually identified reference communication elements (an external actor is involved; information is based on externals' experiences; information is shared with others; the communicative actions aim to predict or illustrate future performance on the basis of past performance). Even though reference communication is used as an umbrella concept, on the basis that an experienced external actor is involved and the main information content concerns particularly the seller's performance and offering in all reference communication types, each type, i.e. "sub-concept" such as reputation or reference, is assumed to convey reference information differently.

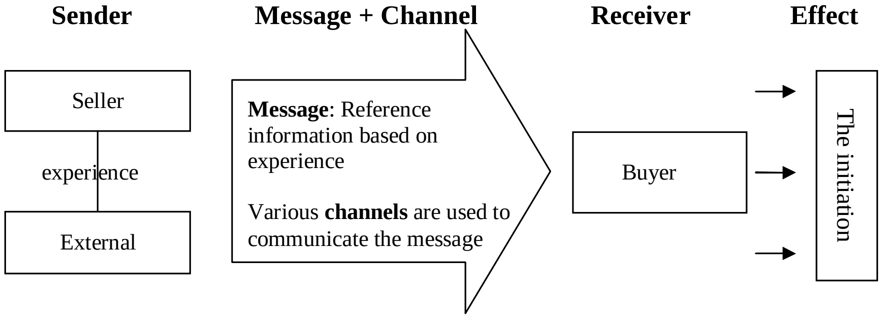

Sender
Message + Channel
Receiver
Effect
Seller
experience
External
Message: Reference information based on experience
Various channels are used to communicate the message
Buyer
The initiation

Figure 15 The analytical framework of reference communication in initiation

In the following chapter, reference communication and its types are investigated empirically in order to analyze how reference communication occurs and contributes to initiation processes.

4.4 Empirical findings on reference communication

The empirical study conducted in the professional business service context provides further understanding of how reference communication is shared and communicated during initiations, by answering the following questions; who are the external actors involved, how do the roles of the *sender*, the *external* and the *receiver* occur in reference communication, through what *channels* is reference information delivered, and what kind of information is shared as the *message* through reference communication during initiations. In the next sections, these issues are analyzed and illustrated with numerous citations from the data.

Due to the employment of abductive strategy, new understanding is developed in a variety of ways: in some sections, the existing theoretical knowledge has already been provided, so the empirical findings are discussed directly (e.g. section 4.4.2. concerning the external, sender and receiver roles), but in other sections, new and more focused theoretical points are discussed to employ all existing understanding on the issues under investigation (e.g. section 4.4.4 concerning reference information).

First the general appearance of reference communication and its sub-concepts are described and analyzed to give an overview of the phenomenon. Then the roles of the communicating actors, the reference communication channels, and the reference information as the message element are analyzed.

4.4.1 The appearance of reference communication

The existence of the reference communication concept was indirectly and directly illustrated by sellers, buyers and other involved actors in interviews.

The synergy and interaction of reference communication concepts was evident: respondents described how after referrals buyers wanted to see references, or after seeing references, they still asked for word-of-mouth evaluations. Similarly, sellers described how their reference customers spread word-of-mouth or referees showed their references for potential clients. Respondents directly and spontaneously described the close link between the reference communication sub-concepts that indicates the relevance of reference communication as an upper level concept:

You can't really fully separate a reference and a recommendation. If a company states that we can use them as a reference, they also kind of state that they recommend us. If I'd explicitly list references, I wouldn't sign as a reference those who wouldn't recommend us.

The core of the reference communication concept is the experience of a firm's previous performance as it has been perceived by externals. These experiences are then communicated further by externals themselves or by the seller, since they confirm the success of previous transactions and thus provide signals that infer the success potential in the following transactions:

When we've done our business well, we've got a positive message from a client. And we use that as a reference in the next case. There really isn't another way to do business because we're selling something that's inside people's heads.

4.4.1.1 The need for reference communication in initiations

Reference communication and the need for track records are obvious in different types of initiation situations, which are illustrated by the following citations.

With the help of reference communication, startups can show their customers that despite their short history they are capable and skilled:

People ask 'how experienced are you'. I'm 24. It's kind of natural that I don't have 10 years of experience behind me. If we have, for example, an elder man as a client, he can have an attitude that says "okay, here come the girls" but when we show some of our work they are usually convinced.

Referrals open up new opportunities and contacts for startups:

One architect started to recommend us. After that a lot of doors opened, in other words this co-operation contact has been the biggest thing since this firm was founded. And it keeps on coming, at this moment we have a thing or two going on that originated from that.

Also a mature firm needs support through reference communication, especially when they enter new markets and when they are required to confirm their diverse capabilities:

We ought to try and make a better impression in some new areas of business. In those areas, in which we don't have enough reference, it's a real effort to get a client. But, it's clear that if you do the job well it can lead to this continuance and new deals. On the other hand, if you fail, it'll make things even more difficult.

Reference communication is also crucial for buyers' initiation activities when they seek and estimate sellers with diverse offerings. In particular, a buyer of a complex, knowledge intensive service scans the service providers of complex and intangible offerings through reference communication:

It's pretty hard to hire a designer if he/she just shows up and says 'hey, I'm a designer, wanna hire me?' You want to see what he/she has done before, and the references have to be good too. You wouldn't hire a lawyer who's lost all his previous cases.

In such situations, reference communication provided a multitude of means how the exchange and relationship potential, that is difficult to assess and present, can be communicated. These diverse types of reference communication are analyzed next.

4.4.1.2 Reference communication types in initiations

Next, all reference communication types are explored further in order to analyze how previous experiences are communicated through reference communication during initiations. Each type is discussed and emphasized in turn.

Interview data and secondary data indicated that all the main types of reference communication from references and testimonials to word-of-mouth spreading were used by sellers and buyers. For example, all the **reference** practices acknowledged in the previous literature (see Salminen & Möller 2006), such as oral descriptions, written documents and reference visits were utilized in service industries, as well. Data indicated that the names of customers were mentioned and reference cases were described and furthermore various reference objects and designed artefacts were presented. Reference visits were seldom made in the service business. The most often used practices were lists of customer names, lists of details, pictures of outcomes presented on paper or the Internet and oral reference descriptions and name-dropping during selling presentations, reference slides showed and written reference lists handed during sales presentations. One agency provides details of how they use references in the following way:

We don't provide any reference lists; instead we tell people when we have presentations that we have these examples. In a presentation we present them orally and with power point slides. And we have newsletters, which we give out to customers. Also on the Internet we have some of these client cases. We've been a bit sloppy with the Internet 'till now, though. Our resources haven't extended to covering that huge amount of information. But we do have some reference descriptions there.

Sellers also utilized **testimonials** in order to share the experiences of their customers. For example, the bank business provided advertorials, in which the acquired customers themselves gave testimonies on their existing relationships:

In entrepreneur journals we have advertorials with stories where the customer praises us and our services. Of course, we try to find a customer who truly likes us.

Word-of-mouth, referrals and recommendations were keenly used by buyers and service marketers in initiation situations and they came from various information sources. An attorney describes word-of-mouth from the seller's perspective:

Recommendation is the main way to get new clients. Usually it goes the way that a former client recommends. On the other hand, it can often be banks that recommend us. Right now we have a new client to whom a bank manager had recommended us, and he took the time to come to the first meeting too, almost as a godfather.

Word-of-mouth was employed particularly by inexperienced buyers who asked for recommendations and guidance when they sought information in order to solve their tricky buying problem within an initiation process. The following incident illustrates how the matching problem can be solved through expert referral:

In the spring a furniture manufacturer called me and asked which designer would have the know-how for this particular material.

Findings also revealed that **reputational information** has a strong role in initiation since it conveys general information on trustworthiness, performance and the position of firms:

Some agencies have built up a name over the years. With that you can market yourself. In those cases the client doesn't necessarily think much about the sort of people who work there. It's more important to co-operate with that agency. The agency is well known. It's an advantage.

Data indicated that particularly established firms' good reputations were appreciated over references and thus they were not so dependent on references or other kind of individual reference communication acts:

Some people say that they don't even follow what's been done at EDD agency. They just trust that it's EDD, which is a bit hilarious in my opinion, because people come and go, and the style and the quality of the work changes with it.

In addition, reputation is often built and regenerated through various information sources: for example, through references and publicity, i.e. reference works presented within the media. Press articles on work done, customers acquired and awards won presented supplier's performance to large audiences for free and in a credible way. The publicity given to successful work may promote the agency by spreading reputational information, which matches the following quote:

Through publicity and news articles we have enhanced some new business relations. Many of these reference clients can't be found from the Internet. We got P. [global electronics co] as our customer mainly thanks to the products I've designed, especially the watches. My work has received a lot of publicity in newspapers in Japan.

Also **awards** were mentioned, especially in advertising and design industries, as a good mean that embodies previous good performance. Winning an award enables the seller party themselves to communicate such "performance accreditation" further as a sort of reference. The sellers expressed their awards on the

Internet and in newsletters. Awarding encouraged the media to spread it further as a sort of reputational information, and people to award related word-of-mouth and reputation building:

The publicity concerning the projects, which have been a huge success, does influence others. For example, when people rank design agencies in the markets, there is no another way to rank them. Some agencies have this long list of awards. That is the way the agency gains trust. Nobody asks a thing after that.

In interviews, some prizes were mentioned by name, such as Fennia Prize and the annual prize for young designers organized by Design Forum Finland (industrial design) and Profit Ad (advertising). The emergent role of awards gains support from the literature which indicates that an award can be considered tangible evidence of an agency being recognized by the industry (Waller et al. 2001) and it validates an organization's reputation by indicating that the firm is successful and thus eases the search for a partner in a crowded market (Rao 1994). The data provided more knowledge about this and suggested that awards won indicate that an agency is appreciated not only by its customers but also by competitors and experts in the field. Awards especially create attraction in the eyes of the customer:

The advertisers always claim that it doesn't matter if the agency wins rewards and success at competitions. It's strange then that those agencies that win the prizes are then named as the best agencies in Finland and all the clients want to work with them. I would agree that publicity and awards are quite good things for an agency. But only a few clients dare to admit that it's pretty nice to collect them.

Awards were linked to other reference communication types, since they could be used as references and encouraged word-of-mouth spreading and reputation building.

Diverse reference communication types have different kinds of roles in initiations. Reputation and word-of-mouth float continuously and thus they build awareness, raise attraction and assist in evaluation by decreasing the consideration set, plus they also aid access. The CEO of an advertising agency describes it's perceptions on how reference communication eases initiation:

If a client is looking to hire a new advertising agency, there's no chance for an agency that hasn't got publicity or word-of-mouth. You don't pull up a compendium and look for this specific group. I don't think that any kind of an advertiser makes such an analytical choice that they would look for this precise size and style and go through everyone and end up with some kind of a list and start to contact those on the list. I think that, more or less, they choose known actors, which the firm then evaluates and considers. Reputation is everything.

Especially in the early phases of initiation, reference communication builds awareness and builds access, since the presentation of previous cases and customers serves as a kind of “demonstration sample”, as the following extract from the data indicates:

Even though the client wouldn’t in reality have a clue what the agency is about, if the agency has come up with some interesting ideas and cases they might give the agency a chance to present them.

For example, when the marketer is already known and has an established reputation, there is plenty of reputational information available that provides a base for further evaluations through relevant references and word-of-mouth evaluations:

Some say that it’s the old cognition underneath. Yeah, it’s only this image in your memory. You know from experience that the guys have made this, and you know this old reference.

References are tools to convince the potential customer, for example, about the capabilities of the professional service marketer, and they are employed as proof of industry understanding or the understanding of a customer’s business:

The client could for example be entering a totally new line of business. In which they’ve never worked. Let’s take for example M project in Lithuania, which we have been building up since last fall. They are a mill company, but they want to expand into the starch business. They process wheat as mill products, but they want to take it up a notch so they can also get starch, gluten, sweetener and fodder out of the same wheat. So they need some starch industrial plants. We’ve got references in China and Finland. And through that we have been able to convince them, that we know that business. And that we know how to make a plan.

4.4.2 The external, the sender, and the receiver in reference communication

Since reference communication and its diverse types are distinguished with regard to the roles of the sender, receiver and involved external, findings concerning these aspects are reviewed next.

4.4.2.1 The external “reference” of reference communication

When the relevant actors in reference communication were analyzed, the first step was to identify what or who the external “reference” in reference communication stands for. The existing literature on references suggests that it is the customer or the case (Salminen & Möller 2006, Ruokolainen 2005). The word-of-mouth literature suggests that various external sources can act as “reference persons” and provide user, customer or expert perspectives (e.g., Walsh et al.

2004, Wheiler 1987); and the literature concerning reputation says that reputation is built when diverse external stakeholders collectively share their opinions (Helm 2007). In an empirical investigation into what can actually be considered an external reference in b-to-b professional service industries, the research data gathered indicate that the main categories for “the external reference” are persons, organizations and impersonal artefacts, such as reference work, and community. In the following, the identified main categories and key aspects are emphasized and bolded.

First, the external reference was **a person** e.g. a business acquaintance, colleague, entrepreneurial friend, or an expert. The data indicated that reference persons acted as referees, but they were also contributive in referencing, when marketers utilized “name dropping” mentioning the names of persons in e.g. their customer organisations, usually naming the organization at the same time. In such cases, the persons were well known business actors in their field and the representatives of specific knowledge, an industry or a profession. For example, “*…because T.T. said*” or “*J.S-K. asked J.S. if we could be trusted”*. In these cases, the person was valued because of their experience and status in a certain organisation or industry. This quality is supported by the literature, since, according to Andersen (2006), the status of the personal information source matters when advice is given, and the findings of this study clearly indicate that a reference person’s high status contributes to an initiation.

Secondly, the external reference can be an **organisation**: in these cases, the name of the reference customer company or organisational referee was emphasized. For example, the translation agency in the study received an assignment from an advertising agency because the name of its known global reference customer firm was so impressive.

Thirdly, the external reference referred to **a realised work,** in other words an artefact or a piece of work completed for the customer. In this situation, the customer organisation itself is not the key issue. For example, a designer acquired new customers in Japan due to the globally famous glass lamps and watches he had previously designed. Such artefactual references are considered tangible evidence of competence, and are indicative of the service quality and outcome that could be expected. The findings suggested that in some industries, such as engineering, the actual work was more crucial than the name of the reference customer or the description of the reference case, since the performance of a designed reference factory combined with the operational figures involved proved the functionality of a factory.

Fourthly, the external reference referred to a **blurred collective community**. According to the data, in this category, instead of one external person, there was a focus group of externals or a community of peers, such as “grain industry engineers” or “financial managers”. In particular, reputation, word-of-mouth and referrals evolved by and within the expert peer communities of focal industries. However, to elaborate further, reference information sharing between peers within a community was found to be a larger phenomenon than that of one-to-one word-of-mouth, but more limited than that of overall reputation building. This category finds support from the literature; fellow members of the same occupational community often reciprocally share information on how to solve buying problems, as expert colleagues are expected to offer unbiased information on a given supplier or product alternative (Rinallo, Borghini and Golfetto 2007).

Also, **the categories of personal and organizational externals** varied. Satisfied existing and previous customers most often operated as external actors. In referencing, externals are always reference customers. In contrast, reputation and word-of-mouth can also originate from non-customer sources, such as providers of complementaries who had industry specific information on other actors' performances. To give a few examples, a business bank reported that accounting agencies, auditing agencies, law agencies, and national and local entrepreneurship associations give recommendation on each other, and an advertising agency was recommended by photographers and printing houses, since they have plenty of experience regarding agencies' performance.

The **experiences** of the external references were analyzed. As a whole, the experience that the external "reference" possesses is the fulcrum on which the reference communication is based and communicated onwards. The data gathered revealed that experiences are based on user experience, expert experience or co-operation experience. Externals possess direct or indirect experience, or both: in references, externals always have direct customer experiences, but in word-of-mouth or reputation, the experience can be also indirect and gained through media or hearsay. However, the data indicate that externals are very careful when making oral recommendations and in giving referrals, and they usually only share their information if they have direct experience; this demonstrates, as stated earlier (see Stuart et al. 1999), that reference communication activities impact an information source's own reputation. One of interviewed externals stated:

Absolutely I need to have my own experience in order to make a recommendation. It would be awful to recommend someone who does not act in an expected way. I would lose my own reputation!

The data also showed that the "externality" of the reference was a dynamic feature. For example, some buyers considered a long term customer to be too "internal" to be able to provide credible information on their supplier's capabilities. Another buyer considered a referral from a global organization contacting an agency within the same group of companies to be "external", and therefore credible, because two separate profit centres were involved. However, **externality was the precondition for the credibility of information**.

The references presented by the seller were sometimes considered extremely credible if they were considered “external reference objects”; for example, if a reference case illustrated the experience clearly from the customer’s perspective and in an objective and realistic way. Sometimes references were deeply distrusted, if the customers perceived that there was nothing objective and external in the reference case. These notions can be related to whether the external source involved is seen as dependent or independent, and whether the source gives a true and realistic evaluation or opinion of the supplier.

In sum, the “external reference” in reference communication varied from individual referrers to success-indicating artefacts. The interviewees emphasized that several types of “references” were often involved within an initiation process, employing a variety of practices. These externals are investigated and categorized further in chapter 5 with the emphasis placed on networks.

4.4.2.2 The external, sender and receiver roles

Next step was to analyze the roles of the external, sender and the receiver in reference communication. Through conceptual analysis and empirical analysis of the data it was emphasized that the reference communication types differ, particularly with regard to the roles of sender/external. For a start, the sender of reference communication messages can be the external actor or the seller. In word-of-mouth practices, the external itself communicates its experiential information. In references it is the seller who sends the reference communication messages by presenting references. In reputation building and reputational information sharing, various externals convey their experiences as messages.

External actors play two main roles in reference communication; they can firstly act as direct senders as they do in word-of-mouth and reputation, or secondly, they can act as indirect backups for assertions, as they do in references when the seller provides reference information based on reference customers’ experiences (see Figure 16).

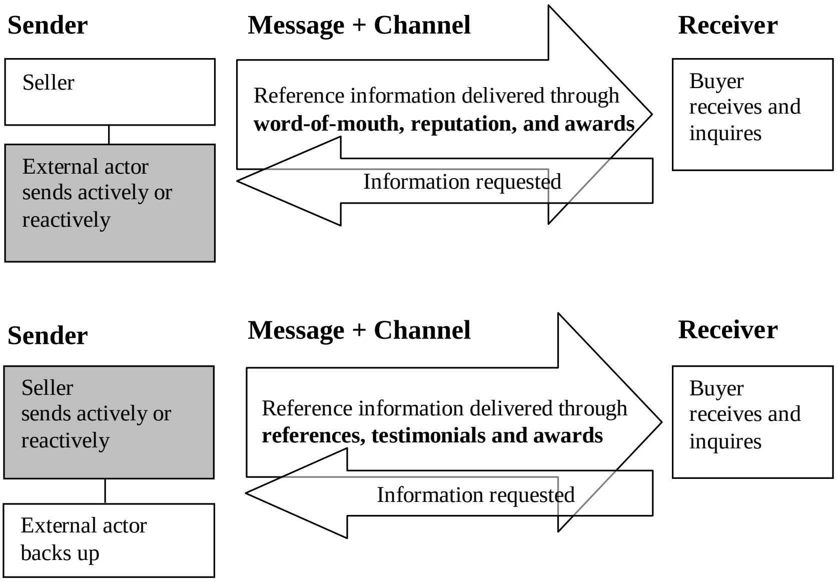

Sender
Message + Channel
Receiver
Seller
External actor sends actively or reactively
Reference information delivered through **word-of-mouth, reputation, and awards**
Information requested
Buyer receives and inquires
Sender
Message + Channel
Receiver
Seller sends actively or reactively
External actor backs up
Reference information delivered through **references, testimonials and awards**
Information requested
Buyer receives and inquires

Figure 16 The roles of the sender, receiver and the external in reference communication

To deepen the understanding of the role of the sender, who is either the external or the seller, the data suggest that the activeness of the sender can be of two types, namely active or reactive (see Figure 16). In word-of-mouth, the external actor actively describes their experiences, but in recommendations, the external actor usually reactively recommends when asked. References can be presented by the seller actively; for example, on web pages or during selling presentations, but reactively as well, such as when the customer asks for reference works or customer lists, as the following illustrates:

When a customer has wanted to get a hold of our written reference list when we've made a bid, then of course we have always sent one.

The study also revealed that the receiver role varies from that of a passive receiver to that of an active enquirer (Figure 16). This idea was supported by the literature, which shows that instead of being passive receptors of market information, decision makers actively seek out complementary information through reputation (Andersen & Sørensen 1999, 217). Similarly, Yale and Gilly (1995, 227) use the term "word-of-mouth seeker" instead of traditional "word-of-mouth receiver". The activeness of information seekers can originate from the higher risk involved in a complex initiation situation. In the literature, it is said that high risk perceivers easily initiate product related conversations with opinion leaders (Turnbull and Meenaghan 1980). The data revealed numerous situations where buyers sought and actively requested word-of-mouth opinions, evaluations and advice as well reference descriptions and actively scanned the reputational information.

The following extract from the data gives an example how a buyer turns from passive receiver to more active inquirer of information and how this transforms the seller's role into a reactive sender:

Now and then when I've given a client our reference list, I've received feedback saying that: 'Yeah, we read that list and it was pretty good, but have you got any others from our sector?' So they do read them and then they want some more specific information.

The concept of reputation is a challenging type within reference communication in terms of "sender" and "receiver", since, due to blurredness and collegiality, the sender and the receiver dimensions are not clear. Reputation is floating around continuously; it is built through various media and by various stakeholders who all also regenerate reputation by providing reputational information from their perspectives. Hence it is difficult to address the actual sender and the mode of its action in reputation. In effect, the role of the receiver can be described as an "observer" of reputation. This aspect of reputation gets support from conceptualizations by Karvonen (2000), who related image and reputation to forms of communication where the organization does not send intentional messages, but its presence and normal performance constitutes "a text" that the audience is able to read and interpret, and thus it perceives messages by observing.

The senders and the receivers' roles as well the external's role are summarized in Table 4, which presents their features in references, word-of-mouth and reputation building and also summarizes the external "references'" features.

Table 4 Externals, senders and receivers' roles in reference communication

Reference communication type	***The sender and mode of sending***	***The receiver***	***The external and its role in communication***
Reference and testimonial	The seller sends actively or reactively	Passive receiver, active enquirer	The external is a relatively passive backup External is a customer organization or individual or a work for the customer Experience is based on direct experience due to customership
Word-of-mouth	The external sends actively or reactively	Passive receiver, active enquirer	The external is the sender Externals are persons: customers, other buyers, experts, providers of related services, value chain members, competitors Direct or indirect experience are both possible
Reputation	A blurred group of externals sends continuously	Continual observer	The externals are "the senders" Externals are a collective of customers and diverse stakeholders No direct experience necessarily

4.4.3 Channels of reference communication

This study assumes that reputation, word-of-mouth and references are embedded in b-to-b marketing communications used by sellers (see Spickett-Jones & Eng 2006, Waller et al. 2001), and in information search sources used by buyers in b-to-b business fields (see Bunn 1993), which include direct mail and sales calls, web pages, brochures, advertising, newsletters, trade shows and exhibitions, interaction with sales representatives, demonstrations and presentations, social networking, public speaking, and seminars. Existing reference literature acknowledges some means of communicating references, such as web pages, brochures, written lists and presentations, and also that reference visits can be made (Salminen & Möller 2006, Jalkala & Salminen 2009, Salminen 2001). As the earlier literature review suggested, referrals and word-of-mouth are communicated through oral based practices (e.g. Silverman 1997) that are realised in one-to-one communication channels, and reputation is conveyed through a multitude of oral and written impersonal and personal channels (e.g. Gotsi &

Wilson 2001). Empirical findings on reference communication channels are discussed next.

4.4.3.1 Channels and practices in relation to marketing communication channels

In the analysis of reference communication channels, different types of communication were explored: divergent reference communication types occurred through diverse practices and channels. A reference communication *channel* refers to media such as the Internet, and reference communication *practice* refers to communication activities such as presentations, lists, and visits (see for example Salminen 1997, 64). Data analysis revealed that reference communication is embedded in b-to-b marketing communications in numerous ways: the identified reference communication practices within multiple channels are presented and linked to the b-to-b marketing communications channels shown in Table 5.

Table 5 Reference communication embedded in marketing communications

Marketing communications in b-to-b markets (main sources: Spickett-Jones & Eng 2006, Bunn 1993)	***Reference communication practices within marketing communications channels according to the data analysis:***
Direct mail and newsletters to customers: e-mail or mail	Reference customers presented in letters by mail or e-mail
Internet home page, other web pages	References and testimonials presented on web pages, awards mentioned
Sales calls, cold calls	References mentioned during calls, prospecting through referrals
Calls for tender, competitive bidding	Reference works and referees mentioned in bids
Advertising, trade advertising	Reference names and works, and testimonials presented in advertisements
Press releases, newsletters to the press	Reference cases and acquired reference names presented in newsletters
Trade shows, exhibitions	Reference cases and names, previous works presented at trade shows
Demonstrations	Reference works presented in demonstrations, reference visits as a special type of demonstration
Presentations	Reference works, names and cases put forward during presentations, orally, with written material, audiovisually
Public speaking, seminars	Reference works, names and cases put forward during speaking, word-of-mouth spreading, within an audience
Personal selling by sales representatives and frontline personnel	Reference names and descriptions mentioned during interaction and reference visits
Social networking, social events	Persons as word-of-mouth and referral sources; events are forums that spread word-of-mouth and reputation
Publicity	Works, awards and reference names presented in media editorials
Competitions, winning industry awards	Awards for successful reference works are published, and this also enhances positive reputations
Word-of-mouth, referrals, recommendations	Persons outside of the organization share their experiences in one-to-one conversations

The data were analyzed further to investigate how reference communication practices are linked to diverse (marketing) communications channels.

Social events and forums were found to be important channels; word-of-mouth and referrals occurred in formal and informal social gatherings, events, forums, or in random situations. Hence, word-of-mouth was mostly delivered through oral one-to-one conversations, although nowadays there are also virtual channels for sharing word-of-mouth (e.g. Mason 2008). The data indicate that some sellers even intentionally organize these kinds of social event to encourage the flow of reference information:

We have organized seminars for some food production company corporations and chemical industry corporations that are a part of our clientele. We've spoken in seminars about the investments that are taking place in the industry. And they are one way to pass on information. If we organize a seminar, people will communicate there – both current clients and the potential new clients – and they pass on information about us to each other. In any case we get to create this social communion, which is sort of important to the business.

For example, law and engineering agencies organized seminars and theme events for their existing and potential customers, and a bank organized theme seminars for their complementary service providers. These social reference communication practices provided forums during which word-of-mouth could be spread. Also, the literature indicates that trade shows, conferences, exhibitions, and professional associations are forums where staff from buying firms frequently communicate with one another, as well as with staff from different selling firms (Johnston and Lewin 1996, 5). Testimonials in such occasions were very seldom used.

Some practices such as events, seminars and reference visits enabled the combination of word-of-mouth and reference spreading. Presentations at seminars indirectly enabled sellers to present their reference cases or reference customers. Reference visits in particular were a multifaceted practice: a visit creates an opportunity to observe reference cases and thus provides information about the seller's work – for example, on a designed factory – and at the same time provides a forum for word-of-mouth and facilitates oral information sharing between previous and potential customers, and thus the practice enables the referee to convey their user information directly:

Reference visits are often crucial, because they convince the customer that our software is in heavy use somewhere. In that situation, our customer acts as a seller and we try to stay quiet, and let the existing customer talk to the potential client.

The citation also emphasizes the manifestation of the umbrella concept, reference communication, as it illustrates how information on external experiences is gathered from a variety of sources through various channels.

Some reference communication practices emphasized printed and marketer originated information: for example, mailings, brochures, lists and advertisements provided by sellers include reference names, reference descriptions, testimonials and information on awards. Oral channels and practices such as cold calls and presentations were more intimate; they enabled sellers to narrate and provide reference descriptions, employ reference name dropping, and mention awards won. Some reference communication channels and practices were public and managed by media: newspaper articles, TV programmes and news inform about awards, valued works and projects and successful relationships with customers (see e.g. Appendix 7).

The Internet is a reference communication channel that enables both promotion for sellers and active unprompted information search for buyers at any time and any place, also remotely. Web pages were cited as an important channel for presenting references, testimonials, awards and other forms of recognition by outsiders. Also, the externals transmitted reference information through their own web pages: for example, media sources and associations conveyed information on awards that distinguished sellers had won. However, the Internet is considered a problematic channel for reference communication provided by the seller party due to its openness and availability:

The Internet is really tricky in the way that there we have to be accurate in what we show, because we have non-disclosure agreements. So, we have to control our Internet references very carefully because the whole world can see them there.

4.4.3.2 Differences between channels

Moreover, analysis of reference communication channels and practices showed that they can be classified through various dichotomies. First, on the basis of control, the channel can be marketer-controlled or advocate- or buyer-controlled and thus independent. The references and testimonials are naturally *biased* towards the marketer, and they are the most *controllable* form of reference communication: advertising, web pages and brochures, including references and testimonials, are controlled by the seller party itself. In contrast, journal articles, external party initiated word-of-mouth, or award announcements are controlled by an external party without an advocacy interest, and the seller has less control over them. The following piece of data from a project agency illustrates how oral recommendations provide an unbiased, independent channel for conveying information on satisfaction and trustworthiness. Thereby, they are powerful and crucial for sellers, despite their uncontrollability:

We base our business on trying to gain a solid mutual relationship with the customer. References are not so valuable for us, but referrals are, because if someone – who you know and trust – gives a recommendation, that *recommendation counts for more than anything. There is no other way to present your superiority than through a previous client's statement.*

Secondly, the data also suggest that *the formality* of communication channel varies, since some reference communication practices were based on written *formal* information sharing, such as references on the web, and some on highly *informal* spontaneous oral information sharing, such as person-to-person referrals in face-to-face situations. According to the data, formality relates to *impersonality*. Through web pages on the Internet, awards can be named by an external (e.g. associations) or by the seller, and written reference lists and newsletters can be handed or sent by the seller in an impersonal mode. Such impersonal modes enable the conveyance of scripted and "open to all" reference information. Informality relates to *personal* practices: practices such as occasional word-of-mouth and recommendations between the buyer and the external, oral references presented and discussed during sales activities between the seller and the buyer, and informal personal advice- and referral-sharing within collegial peer communities, are all communicated face-to-face and therefore are more sheltered modes by which to convey reference information. Such person-to-person communication enables the conveyance of information that is not available to all, and also unveils a new dimension, the *availability* of communication.

Thirdly, *the flexibility and interactivity* of channels varies, since reference communication channels differ in terms of whether they permit one-way or two-way communication, and enable feedback to ensure the relevance of information (cf. Wheiler 1987, Turnbull and Meenaghan 1980, Newall 1977, Mohr & Nevin 1990, Bunn 1993). Verbal interpersonal channels are flexible and can be adjusted to the specific requirements of the receiver (cf. Dawes et al. 2000a), and because tacit and complex knowledge is difficult to code, people prefer to talk to people rather than consult written documents (cf. Nebus 2006). Therefore, interpersonal flexible reference communication channels provide a good channel for conveying relevant information. Personal face-to-face practices are able to transmit "rich" information and customized information, since they allow rapid iteration and feedback (e.g. what questions to ask and how to structure problems) and combined with a variety of non-verbal facial cues, they ensure the relevancy of reference information (cf. Weiss et al. 2008). Word-of-mouth in particular is directly interactive when both the receiver and the sender can react to each other's input. The data indicate that person-to-person recommendations and word-of-mouth, and oral reference practices during presentations and negotiations, were especially seen as flexible two-way channels for reference communication, since interaction between the source and information seeker could be modified. Moreover, knowing each other made personal channels even more flexible: if there was a strong tie between the information seeker and the reference information provider, the information provider knows the information seeker's needs, attitudes and evaluation criteria better, and can infer what others might need and like (cf. Wirtz and Chew 2002). For example, oral references during presentations or referrals are modified in response to a buyer's questions and interest. In contrast, formal unaddressed documents conveyed through impersonal channels (such as references on the Internet or reputational information concerning awards, announced through newspapers) are the least flexible and adjustable form of reference communication.

The employment of reference communication channels varied during relationship initiations: in the early phases of initiation, buyers e.g. intentionally scan references through web pages and seek reputational information through the media, and also e.g. happened to hear general word-of-mouth information at social events. Equally, in the early phases, the seller party actively presents references on web pages, but when the interaction becomes more intimate as the initiation proceeds into dyadic negotiations, the seller may provide more specific and customized references and referrals or testimonial statements, through more intimate and flexible practices. In the latter phases of initiation, reference visits are made, and buyers turned to reference communication practices that provide specific information: the seller is asked to give more specific reference descriptions during sales presentations, or more focused opinions are sought during word-of-mouth interactions with colleagues, peers, reference customers and other industry actors.

To clarify the distinctions between reference communication types – references, word-of-mouth and reputation – the channels and practices of each type were analyzed. Table 6 summarizes which channels and practices each reference communication type was communicated through. The main features of the channels discussed above are also highlighted in the table.

Table 6 Reference communication types, channels and practices and their features

Reference communication type	***Marketing communications channels and practices involved***	***The features of the channel and practice***
Reference and testimonial	References are presented in multiple media: in electronic media (references in e-mails and web), in sales activities (sales calls, sales presentations, bids), in printed promotional materials (brochures, newsletters, advertisements), at social events (references mentioned in seminars and presentations)	*Controllability:* Controllable, because the message comes directly from the seller. *Formality, availability and flexibility:* Internet formal references are available for everyone, formal reference descriptions and lists are open to a given audience and sometimes modified, oral informal references are presented more confidentially and are often modified.
Word-of-mouth and referral, recommendation	Social events are forums and channels for word-of-mouth (events, seminars, reference visits) Informal casual one-to-one situations Occasional advice seeking or providing	*Controllability:* Uncontrollable because the experience comes directly from personal sources. *Formality, availability and flexibility:* Social contacts and incidents are needed to acquire and provide information. Social forums and face-to-face situations enable flexible and informal reference information sharing between persons.
Reputation	Reputation is built and renewed through blurred communication practices: communicative acts by various stakeholders and media build publicity, and convey information on awards, work and customers	*Controllability:* Relatively uncontrollable; reputation originates from a blurred communal source, indirectly and directly *Formality, availability and flexibility:* Availability is complex because reputation is “everywhere but nowhere”: reference information messages can be captured as informal and formal reputational information among the community.

4.4.4 The message of reference information

This study premises that reference information conveyed through word-of-mouth, references and reputation, works as a substitute for experience when the actor has only a little or no experience of the issue. Thus, experiential information is the core of reference communication and stands for *the message* element.

The existing literature provides some ideas concerning information that might be transmitted through reference communication: the buying literature (Bunn 1993, Sheth 1973), reference literature (Jalkala & Salminen 2009, Salminen & Möller 2006, Salminen 1997, Ruokolainen 2007), word-of-mouth literature (Wheiler 1987) and reputation literature (Andersen & Sørensen 1999, 216–218, Nunlee 2005, Fombrun & Shanley 1990) provide some concepts and aspects to reference information exploration and they are briefly discussed before the empirical analysis.

The buying literature discusses the content of information acquired by buyers, and does so by use of the following labels: type of information (Sheth 1973), topics of information (Bunn 1993), criteria (Sheth 1973), selection factors (Waller 2004), consideration attributes (Day and Barksdale 2003). This literature indicates that the following issues and criteria are important for buyers: price, costs, budget and cost consciousness; expertise, capability, competence, knowledge, professionalism, professional integrity; whether the actor is formerly known with regard to reputation and image, social ties, acquaintance; schedules; customer orientation and interaction, listening and understanding the customer and their business and goals, user needs; “chemistry”, interpersonal compatibility; reciprocity relationship, responsiveness, involvement; mutual agreement and understanding, compatibility; personnel, working with a certain person or certain professionals; experience of the field, knowledge of the industry sector of the client, similar pieces of work done; credibility, trustworthiness, reliability; the offering and its value, solutions, previous work, the price to quality ratio, the level of quality required (Bunn 1993, Dawes et al. 1992, Day & Barksdale 1992, 2003, Edvardsson 1989, Lapierre 1997, Waller 2004, Mitchell 1998a, Sheth 1973). Some “information topics” or “criteria” can be related to the product, to the vendor, to the transaction and to the buyer-seller interaction (Bunn 1993, 73). Buyers seek information about *marketing conditions topics*, such as the nature of the market and economic trends; *vendor performance topics*, such as current prices, alternative sources of supply, the reliability and capabilities of suppliers; *purchase needs*, such as user needs, the level of quality required, the technical performance of different products, and *markets limits*, such as controlling laws (Bunn 1993, 93–94). According to Bunn’s (1993) empirical results, the most important topics in a search were found to be the level of quality required, user needs, the reliability of a supplier, the capabilities of a supplier, the current prices of different vendors, alternative sources of supply, market availability and the technical performance of a product. Buyers of professional services seek information particularly on price, interaction with personnel, project knowledge, experience in the field; the result, (solutions, former works), knowledge and competence, reputation and image, social ties and acquaintance (Day & Barksdale 1992, 86, Edvardsson 1989, 9–15, Dawes et al. 1992). It was assumed that reference communication conveys information on the topics discussed above.

The *reference* literature briefly describes the type of information the seller encodes in its references. The seller party aims to inform the client about its performance, previous customers and works**.** Reference information can be defined as “evaluations in written or oral form about the suppliers’ performance from its existing or former customer’s viewpoint” (Salminen & Möller 2004, 135). Reference information in references can be customers’ names, types and industries and other characteristics, used methods and applications or return on investment, user experience and implementation time (Salminen & Möller 2006, 2, Jalkala & Salminen 2009, Ruokolainen 2005, 10, Ruokolainen & Mäkelä 2007, Helfert and Vith 1999). Ruokolainen (2007, 7 14) notes that not just the acquired customers, per se, but also the benefits (business benefits of the customer reference, the improved competencies of the customer) and competencies offered by the supplier are of importance. If the exchange requires plenty of interaction, evidence about the delivery and project management capability of the supplier needs to be provided (Salminen & Möller 2006, 35). Jalkala and Salminen (2005, 171–176) found that with web references the supplier’s demonstrates three types of issues: the benefits of the supplier’s solution (cost and time savings, increased efficiency, improved productivity, improved quality, context specific benefits, benefits for the end user and benefits for society), the supplier’s partnership ability and commitment (closeness, customer orientation, trust and long term relationship), and the supplier’s expertise (professionalism, expertise, experience, capabilities and competence and technological leadership for solving the customer’s problem). Also the competence based communication literature (Golfetto 2003, 8, Ritter 2006, 1033–1034) touches on information content, by noting that suppliers need to communicate their competences, such as product competence (the characteristics of the value created by the firm), process competence (the characteristics of the value-creation process) and market competence (the characteristics of the value transfer between the firm and its environment).

Surprisingly, the *reputation and word-of-mouth* literatures do not put any emphasis on the information content, but some brief notions related to information content can be distinguished from these literature streams. The reputation literature emphasizes that reputational information consists of estimations concerning the reliability and skills, and various dimensions of a firm’s activities such as financial abilities, product quality and management and other subtle forms of the positive or negative appraisal of the partner (Rao 1994, 30, Andersen & Sørensen 1999, 216–218, Nunlee 2005, Fombrun & Shanley 1990). Helm’s (2007) empirical findings suggest that reputation includes “items” such as the “quality of products”, the “value for money of products”, “customer orientation” and “the credibility of advertising claims”. The word-of-mouth literature does not focus on information content either, but acknowledges that word-of-mouth sources and market mavens in b-to-c markets spread market place information, evaluations and advice on products and their benefits and the performance of the supplier (Walsh et al. 2004, Yale & Gilly 1995). In b-to-b markets**,** Wheiler (1987) found that the reasons for making a referral are linked to the qualifications of the service provider’s personnel, their expertise in relation to the potential clients’ need, their commitment to ethics, and their ability to meet deadlines.

The existing literature gives some insights on the form of information, as well. The format of communication can be written (like references) or oral (referrals, word-of-mouth), and information can be verbal or numerical, or even visual. Information can be “facts” like reference lists, or promotional, like testimonial articles in a newspaper (Salminen 1997, Salminen & Möller 2006), or orally shared subjective evaluation, like recommendations or word-of-mouth (Cornelsen and Diller 1998). References are usually detailed lists (Salminen & Möller 2006) but descriptions of “success stories” are also found (Jalkala & Salminen 2006, 5, Jalkala & Salminen 2005, 165). Ruokolainen (2007, 5) distinguishes between quantitative and qualitative reference communication. Quantitative reference communication is based on the amount of evidence and communicated through reference lists, lists of opinion testimonies and statistical types of evidence, such as graphs. The length of a firm’s track record can be considered to be quantitative reference information, too (cf. Desai et al. 2008). Qualitative reference communication refers to descriptive stories aimed at increasing understanding and it is conveyed through descriptive articles, site visits and verbal explanations of customer reference (Ruokolainen 2007, 5).

The first findings on reference information

The literature indicated that references particularly often include information on the previous customer, suppliers’ performance and works (e.g., Jalkala & Salminen 2009; Ruokolainen 2008; Salminen 1997). Further analysis of the empirical data also indicates that **all** reference communication types, such as word-of-mouth and reputation, convey information about earlier customers, the seller’s performance and service outcomes. Thus, the first step to study reference information embedded in all reference types was to compare the data and literature. These elaborated findings are discussed next and the identified key aspects are emphasized and bolded.

The analysis of data stresses that both **the acquired customers and advocates** and **previous cases/works** are important when determining reference information:

Yes, the clients matter without a doubt, by that I mean that many of the new clients believe that because I've worked here and there, it's a definite advantage and a plus. I've kind of got an approval to co-operate with certain brands, but after that, of course, it matters what kind of design I've been doing there.

The **names** of the customers themselves were important information as they include condensed information on **the type, age, orientation, image, position in the market, industry, size and location** of previous customers and signal "types" of previous customer. These features were also mentioned more explicitly. On this basis, the potential customer can make interpretations:

A client list is probably quite important, because the client looks at the names and sees what kind of field of industry you've been working in. It shows how big the cases have been, the size of the firms, their visibility, meaning the market and how they are positioned. That comes through the reputation of the companies, the credibility is being transferred.

Information on customers/advocates and previous works can be divided into two categories. First, information concerns "**the general, average, usual or main types**" of customer and solution, and describes the common competence of the supplier and what kinds of customer and project the supplier is used to working with. Thus, information on average cases or partners indicates the typical performance. Secondly, there is information about "**special cases**" – special assignments and customers – suggesting the special skills of the supplier, their creative problem solving ability, and special opportunities concerning the potential exchange. There were particular "**success stories"** emphasizing high performance and opportunities. Data showed that the special cases might interest the customer even though they are not relevant in the focal initiation, as the following quote illustrates:

A good reference is, in a way, really interesting if it's not run-of-the-mill. Somehow people are interested in alcohol advertising. I don't know, what's so exciting about it. For example, we have made this beer campaign outside a supermarket that uses fake fur outlines. It looks like lion hair, which is a bit odd, a special solution. Children come and pet the ad. It's abnormal. That seems to interest people right away, and they go like 'how did you decide to do this?' That's how it works.

Some features of previous reference works, organizations and persons seem to generate important reference information and thus they were interpreted further.

The **large size** of customers, advocates and works and **appreciated** ones indicate the credibility as well resources of the firm as they indicate **performance with prestige**:

Especially when we've managed to get a big client, it builds up our credibility and says that we [an advertising agency] have the ability to understand their business. An agency pulls it off convincingly by having a huge company as a customer – maybe a really demanding buyer. And another thing that counts regarding the magnitude of the client is that it shows that our advertising agency knows how to handle a certain size of firm.

Some globally appreciated names were mentioned as powerful and strong, "super", e.g. BigN was frequently mentioned as an effective "super reference" but tricky to utilize:

BigN is a good reference, because it guarantees a certain level of quality, if they've accepted you as a supplier. (Translation agency)

"It's a statement in this country". As a business BigN isn't a bundle of joy, because they don't buy the cutting edge of design, so if you want a fun and challenging project, you will not get it from BigN. (Design and branding agency)

It's a magic word, yeah, that you've done something for BigN. It usually has a great impact. Everybody understands in the same second that you can't say anything about it. (Design agency)

Also **a large number** of advocates and reference customers suggest **long term trustworthiness** and **volume of good performance**; this was realized through long reference lists and a large number of referees. For example, the marketer is able to employ a large number of known customers by using their logos and brands in advertisements:

This is one of those ads that you often put in a newspaper, in this ad (bank N) wants to show that they've organized this kind of financing for all of these firms and been the main organizer. If you look at the pages of the Financial Times you'll find that these are very common. Such ads say 'look at us! We know how to do this and all of these people trust us'.

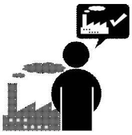
However, data suggest that the same reference information could have several interpretations among buyers. For example, variation was found regarding the interpretation of information on large customers and works. Data showed how large-sized reference customers often affected initiations positively, if the buyer firm was a large firm, but if the buyer firm was small in size, such information affected the initiation in a negative way. In one situation in the data, the large scale work used as a reference was considered an advantage for the seller, because the buyer thought it was very likely that the seller could handle a similar problem on a smaller scale. Nonetheless, in other situations, large-sized works and customers were considered to be a disadvantage, because it was thought that the seller may not perhaps be capable of understanding the different restrictions and limits attached to a smaller scale production context. Similarly, data showed that reference information on special jobs and customers indicates the special skills of the supplier, and refines their expert skills in general, but sometimes this information was extremely relevant in the focal initiation situation as it indicated compatibility between the seller and the buyer. These findings indicate that there are still more dimensions to analyze, and therefore the analysis of reference information was continued, and the reference information on customers/advocates and previous cases in initiation was refined into narrower information domains.

Further findings concerning the reference information

On the basis of the analysis, there are four different kinds of information domain that have particular functions in buyers' and sellers' initiation activities: **information about the offering**, **the supplier information**, **the compatibility information** originating from average customer/user/partner information, **and decision making information** (see Table 7).

Table 7 Reference information: Four reference information domains and their narrower attributes

The Offering information
 	
- Price
- Price-quality level
- The functionality of solution (costs, potential problems)
- Potential solution proposals, a tangibilized offering
- Process: project, service process, interaction
- Long term benefits of offering: value in use
	The Supplier information
	
	- Skills, capabilities and competences:
	  - Profession: Technical expertise, creativity etc.
	  - Service process or project management skills
	  - Special skills
	  - Customer orientation and understanding
	- Trustworthiness and success
	  - Large amount of customers, known customers, large customers
	  - Constant success proved through successful work/pieces

Compatibility information

- Average customers and users
  o size
  o location
  o other important feature to the buyer party
- Special skills and accepted level of skills of the buyer’s focal industry
- Average projects and solutions
- Strategic orientation, the skills and offerings of the seller compared to buyer’s goals
	Information on the problem solving and decision making situation itself
	
	- What is important to know about the focal task
	- Whom to contact
	- Whom to contact for further information, where to find more information
	- Affirmation of ideas and validation of beliefs

The following section explains each of the four reference information domains in more detail. The most important information attributes of each domain are highlighted.

4.4.4.1 Offering information

Analysis of the data revealed that offering information concerned issues such as price, time schedules, benefits and values. Jalkala and Salminen (2005, 171–176) have found that reference descriptions on the Internet usually present specific product details and “solutions in use” information, the scope and time schedule of the product/project delivery, and key benefits that the solution has brought to the customer. The data of this study indicate that not only references but also other reference communication types convey this kind of information concerning diverse offering related issues.

The information about the offering deals with issues such as **price** and **price-quality** level: references convey offering information concerning the price and price-quality ratio:

An architect sees straightaway whether something is good or not. But to the other buyers, who are not experienced, we have to build the quality image through references by telling them what we have done and to whom and where. This makes the customer more convinced. The customer wants to see, whether the price corresponds to the outcome. The customer wants to see that if they pay more they also gain more.

Information can also deal with **project schedule**, **potential solution proposals** (how the supplier has solved problems similar to the customer's before) and **process information** (what kind of interaction and service process is required). References and word-of-mouth often include **service process information** that reveals how the process, interaction and the assignment project could progress. This information may include examples of potential methods and procedures that can be employed during the service process, as the following quote describes how the creative methods that the agency tends to use are expressed with references:

We've used this furniture company L's project that J. made [as a reference]. There was this interesting method when we started to design a home office for company L for their line of products. We started by sending a bunch of families disposable cameras. Their job was to document, how they had organized their home office. From there we began to build up concepts. The methodology was interesting.

Sometimes the reference information concerns the **total offering**. Data indicate that both the outcome of the service ("what" is offered) and the process of service ("how" the service is provided) (cf. Grönroos 2000) are demonstrated to less experienced customers through reference and word-of-mouth descriptions, which provide examples of potential offerings and illustrate the potential solution and process more clearly. The following quote comes from industrial design.

In our business it is extremely crucial that there is an agreement about what will be sold and bought. So we have to be able to describe in advance, what this case is all about, what we are going to do and what a customer will get for their investment. In such cases references are important.

Information about the functionality of the solution in operation (such as costs and potential problems in use and user information) was also shared. Reference works as realized solutions showed that the proposed solution functions as it is expected to, and word-of-mouth evaluations conveyed both a user's and an observer's conceptions of the functionality of the solution in real life.

Reference information may also concern the **costs of the offering**, as in the following example from engineering:

During production some sewage is produced and minimizing these sewage flows is one of the main things in this business. Environmental issues have become more and more important. In addition, there are other commodities such as heat energy and the expenditure of electricity, they are key figures. You have to be able to prove them. In this facility – designed by us – such issues and costs have been well taken care of.

The **long term benefits** of an offering are shared through reference communication: they concern a growth in sales, decreasing costs, increasing volume, etc., and this kind of aspect can only be presented truthfully with information based on the realized figures of previous work. Because reference information is based on past transactions, time has passed and benefits have started to realize or have been realized. Therefore, references and word-of-mouth stories can offer particularly believable and relevant information about **decreasing costs or increasing revenues in the long term**. Sometimes, the offering can provide extreme benefits for the potential customer. For example, one interviewed advertising agency executed a design management and branding project for a temporary recruitment agency. This work increased the turnover of the firm from 24 million Finnish marks to 60 million euros, raised the profile of the firm to first place in image surveys and to the position of market leader. And after these improvements the owners sold the firm, and after a corporate acquisition, the owners became millionaires. Naturally, the advertising agency liked to use this reference case when it aimed to illustrate the extreme monetary benefits that can be a consequence of their services.

4.4.4.2 Supplier information

The information domain related to the seller is termed supplier information. This domain concerns skills, competences, capabilities and resources, such as an ability to manage the service process and project knowledge, or capabilities such as technical expertise and creativity, industry understanding and industry specific skills, and customer orientation. Secondly, this domain concerns the supplier's success history.

Several buyers lacking expertise mentioned that they had believed on the basis of referrals and references that the chosen agency was capable of managing the interaction, service process and projects, and that this information had been crucial in initiating. Moreover, supplier information may concern particularly

a supplier's skills, experience and knowledge in a specific industry, as in the following:

I want to show that I share expertise with firms that are in the same industry as my client is because I want to show we not only have the know-how about a certain process but also an overall knowledge of the client's own business. It boosts trust and lets clients know that we're not first time around and we know what we're talking about.

Similar pieces of work particularly indicate an understanding of the client's industry sector. The existence of reference customers and hearing positive word-of-mouth evaluations within special industries indicate that a seller party possesses the skills and capabilities necessary for a specific industry.

The desired skills of a seller party can be extremely specific, and reference communication can provide accurate information about this specialization. For example, in one initiation, the recommendation to contact a particular design agency was made because the referee knew that the referred firm had the relevant experience and the particular competence to design a special foil that was the core element in the new customer's product. Information on such specializations needs to be shared, as the CEO from advertising notes:

If I've done some home appliance advertising, I know the business pretty well and understand what you can do and what you can't in that sort of advertising. You understand these ground rules. Every industry has its own special features. References are the best tool there too. For example when we got SPL [a group of banks] as a client early in the year, it was partly because of our team's experience in bank advertising.

Special skills can also be related to **customer understanding**. With reference information, for example the seller party can show that it possesses a more complete understanding of its customers and is able to adapt to the perspectives of customers:

With this reference we can show that we know how to work with a small firm and not only a big one, and that we can also fit our product development to a small company. You have to understand the patterns – they differ depending on the size scale.

Also the **resources** of the seller party can be communicated through reference communication; particularly the existence of large customers indicates that the seller party possesses sound resources, plus well designed processes and systems that facilitate service process and that are needed particularly in serving demanding customers, as the following explicates:

If we have a big client, who helps build the trust of others in us it helps describe our advertising agency's capability to understand the business and the agency's resources to serve a big client.

Sometimes, reference information indicates that the supplier possesses **a professional expert as an exceptional resource**. For example, one attorney's personal competence and "reference" was used by the attorney agency to illustrate that the agency possesses expert persons with the appropriate skills:

One of our attorneys T.T. has made IT contracts for company O, which is a big deal. I mean, our provincial agency is involved in such a large systematic project and plans their IT contracts. So this we have used as a reference.

The supplier information can also concern **the orientation and position** of the seller. The following citation comes from a landscaping agency:

Our orientation lies mostly in design, not so much to the 'green' part. That's probably the main difference between us and our competitors. We were just at the Design Partners exhibition, which is about architecture and design, and we were the only representatives from our line of business there. Actually, all our recommenders and supporters are involved in design somehow.

The second important aspect of supplier information was the seller's **trustworthiness and constantly successful performance**. According to the data, this was proven through diverse, positive, long term and extensive reference communication: the seller party is able to present a good stock of references, drop "big names" and successful cases as references, and a relatively good reputation is supportive, praised by word-of-mouth sources, and media information on awards. Moreover, if the actor and its performance are recognized by its customers as well as by its competitors, complementaries and the whole value-chain of actors through various reference communication practices, this built a constant **"success history"** further. Historical success and trustworthiness based on previous successful works and projects, satisfied customers and stakeholders, enable the anticipation of success also in future, such as a successful relationship after initiation. The information concerning the success of the supplier had two sides to it, however; on the one hand, long term positive reference information was required to prove that a supplier possesses the **solid skills** to perform consistently at a high level of excellence. On the other hand, fresh success was required to prove that **the skills and competences are continuously updated**.

4.4.4.3 Compatibility information

The third information domain, compatibility information, transmits information on how initiating parties may match. Compatibility information concerns **the seller's past experiences in similar projects and specialized skills in a particular industry, experience of certain countries and areas, experience of certain types of client (size, location, strategy) or the possession of strategic**

visions, goals, and orientation in the market that matches the new customer’s industry, location, visions and orientations. This information domain notion gains support from Ruokolainen and Mäkelä (2007), who emphasize that the next potential customer needs a reference case that can be compared to the potential customer’s own business case.

The data suggested that the customers’ names in themselves constitute important compatibility information for buyers, because they indicate **the average type of customer**: *We have written reference lists, where the names of companies and brands are presented. Therefore, the customer can figure out at a glance what kinds of firm we work with.*

However, “the average” information can also be misleading and “lock” the thoughts of the information seeker, if it is generalized too widely, as the following statement from the design industry makes clear:

When we acquired an enormous mobile firm as our reference customer, we were thinking that all the doors would open for us. But clients then started to think that we only work for large clients.

This clearly shows that the information seeker wants to find enough similarities between themselves and “the average” cases and customers, since it facilitates the estimation of benefits and costs. Moreover, the data showed that if there was no previous history to be presented with similar actors other than the information seeker itself, then it was more difficult to believe in compatibility or to prove compatibility between the initiating parties.

Compatibility information may concern – besides the type of the customer and the desired project outcome – also the type of delivery and exchange. Previous **similar sized projects** suggest **compatibility regarding the scale of operation**; if a supplier has earlier enacted only smaller or bigger cases, the potential customer was not convinced that the supplier would be able to handle the case in question. Previous **assignments within similar industry sectors** imply compatibility **regarding a specialism**, as the citation from advertising suggests:

When the client (home appliance representative) recognised the bank advertisement and liked it, it was a really positive thing. But when we showed a few old jobs from their field, to illustrate that we knew the problematic spots of the electronics business – we had to dig into the archives – it made him feel good. We went up a notch in his consideration. References are very, very important indeed.

Compatibility information embedded in reference communication can also suggest that the parties have a **compatible way to operate**. For example, family firms operate in a personal way and therefore some suppliers by reputation match them better than others, as the CEO in the following argues:

One of our strengths is that we’ve both done a lot of jobs for SMEs and family firms, so we are in touch with entrepreneurs’ behaviour patterns. Some of the *competitors like to play their cards in a different way and they want to work for big companies only, where the person on the other side is a product development director on something. That's a more anonymous way of buying a service. We on the other hand want to work with the entrepreneur directly. Ethically we've managed to deal with these kinds of client, because we have this clientele, even though the entrepreneur as a customer can be moody sometimes.*

The analysis of the data indicated that reference information on the suppliers and their position can turn into compatibility information, if it guides the formation of a matching pair. Compatibility information from the external experts, and carried through word-of-mouth evaluations, and reputational information, facilitated particularly buyers in identifying the matching compatible pair, as the following extract from the data reveals:

Every design agency knows what kind of style other agencies use. Then the rumours spread amongst design people. Relying on them, those who know have to look, invest in and find a certain kind of designer. We've once tried to ask, what's our type or style, but I think that the main issue here leads back to the stars or cult persons and to the most artistic artist designer, like H.K. But we for example have clients like KC. They make cranes. They probably don't want to interact with H.K.

Moreover, several service providers said that they would like to work with certain types of customer and have certain types of case, and they felt that it was difficult – and even embarrassing – to reject customers that do not fit their strategy and position. With references, however, they could announce what kinds of customer and case are compatible with their strategy.

4.4.4.4 Decision making and problem solving information

The data analysis revealed that reference communication includes also information about **the focal decision making situation**, which was distinguished as the fourth reference information domain. Previous decisions and prior knowledge dictate or direct buyers' information searches, since previous experiences guide what is already known and what topics need to be researched (Bunn 1993, 72); but in some situations, buyers lack knowledge of what they should know. This aspect is assumed to be distinctive and crucial in buying professional services, due to information asymmetry and complexity (e.g. Løwendahl 2005). To solve a buying problem, information seekers need information on which questions to ask and how to structure problems (cf. Weiss et al. 2008). The information seeker's motivation may be to find "the right name" or to define the whole problem, and this affects the amount of information needed (Nebus 2006, 622). The analysis of the data showed that reference communication provided information on these issues; reference information may concern a decision making situation per se and inform the information seeker as to **which issues are important in the focal buying situation**.

The analysis of the data strongly points out how diverse reference communication types convey information on **whom to contact, where to find more information and what it is important to know**. In particular, asking for recommendations from acquaintances who are experts was seen as an important way to acquire information on **how to solve certain kinds of buying problem**. Such experts are often capable of making their diagnosis of the focal problem in an information asymmetry situation, and thereby solve part of a problem, on behalf of less experienced buyers, through their recommendations and referrals. This often makes problem solving also more convenient for buyers; the CEO who was, due to his key position, often asked to give advice and referrals within his industry, explains these aspects:

You don't have the guts to ask a complete stranger these stupid questions, but from someone a bit more familiar you can ask stupid questions and for advice because the first impression has already been made. An acquaintance can catch your drift and know some background information already, so it's easier for him/her to recommend.

The data indicated that decision making information was, first, used to narrow down the number of acceptable suppliers and to constrain the consideration set; through reference communication, buyers sought information on potential available firms that are capable of working with the focal case. Buyers looked for problem solving information by actively requiring recommendations when they explored service provider candidates. Word-of-mouth and referrals particularly provided contacts to the subsequent information source by guiding **where or from whom to acquire more understanding about a focal problem**.

This information was provided and used also to examine diverse options for solutions. Reference material, especially, conveys information about **factors that can affect intended solutions and exchange**. For example, the following citation from the banking industry illustrates how **the details of the customized solution** can be discussed with oral reference descriptions:

If a client asks how a problem like this could be solved, you can say that yeah, I once worked with that kind of firm and they had the same problem. And the problem was solved this way.

However, the informants stressed that this kind of decision making information should be provided consciously and only in brief:

Because the client feels that their problem is unique, you have to use the reference cases as an example. Then your references serve only as an example and provide possible solutions and open up new points of views for the client about what kinds of solution you can possibly think exists in the world.

The problem solving information can actually be highly critical: for example, in one of the initiations, through a reference case and reference visit, the buyer realized **what they do not seek from the solution offered**:

That [offered reference] case didn't correspond to our needs. It was wrong to think that it had to be that way. Maybe we need the same kind of equipment, but not the kind offered.

Even after finding a possible solution, the information seeker may be motivated to gather further information in order to affirm ideas, confirm judgment, or validate beliefs, because they want to affirm their solutions (see Nebus 2006, 620), and, according to the data, problem solving information was used to affirm decisions, too.

4.4.4.5 Information features

After exploring the reference information categories, the features of reference information were analyzed in detail. Each feature, such as form, type and shade, is discussed and highlighted next.

The data indicated that the form of the reference information possesses diverse **forms:** written and oral data (detailed lists, descriptive stories), numerical data, visual data (pictures), observational material (e.g. visits to sites and artefacts) and audiovisual data (e.g. audiovisual presentation material).

The **written** form concerned customer names, lists of details concerning reference cases, descriptions, written name-dropping, award announcements, printed testimonials, and printed media editorials. Very seldom were the written references in descriptive story form. Written references have been widely studied (Jalkala 2009, Jalkala & Salminen 2009, Salminen & Möller 2004) but orally presented references made by sellers have garnered less attention. Both sellers and buyers said that written reference lists were especially uninteresting, and other forms of reference information were more interesting. One of the service providers from engineering said that *"the expression on the client's face almost changes when they see the written material, because it's so boring."* The **oral** form, for example oral references (name dropping, reference case descriptions occasionally featured in numerical data and statistics on benefits) were often presented during sales presentations and reference visits. **Visual** data were offered through the depictions of outcomes in paper form and on the Internet, and **observational** data in reference visits and artefacts. References on web pages particularly provide illustrative information in graphic form; for example, the designed products of an industrial design agency or the planned facilities of the engineering agency firm are reference artefacts that can be presented colourfully and multidimensionally through pictures with a visual form (see e.g. Appendix

8). Some interviewed buyers stressed that they appreciate observational reference objects and visits over written reference lists, since they enabled the creation of a tangible conception of an offering:

On the reference lists, there are only names and nice pictures. When you go to the reference site to take a look, you see the whole setting and functionality.

As customers are increasingly overloaded with information consisting of numbers and text, a visual representation can enlarge customers' problem solving capabilities by providing vivid and valuable information that is easier and faster to compare and process, and it also enables the simultaneous viewing of multiple attributes (Lurie & Mason 2007). The data showed that the reference pictures and visits as visual and observational forms of information provide better "gestalt" for the offering and benefits, and thereby they complete verbal information especially in artistic industries, such as design and advertising:

Well, when we're talking about design, you have to have some images, but stories are also important. I describe how co-operation has succeeded and what things we had to consider. And, of course, you have to have a picture of the work, did it end up as a horrible gadget or a reasonable product. The products we have designed are out there and sold to the public.

Divergent information forms were combined when reference communication channels and practices were mixed into **hybrid mixes**: for example, during observational reference visits buyers were exposed to oral information.

The data suggest that **the type** of reference information was diverse, such as **facts, statistics, stories, evaluations** and **promotional arguments.** Subjective evaluations and opinions originated from word-of-mouth sources and external reputation-builders. Objective "facts" were offered by the sellers (test results concerning references and long term user experiences) in the form of statistics and numerical information concerning return on investment, increased sales and decreased costs. Story form information occurred in word-of-mouth evaluations but also in the oral references given by the seller. Even though statistics are highly respected in Western culture as icons of objective information, some studies have shown that anecdotal reports and examples combined with statistics may have even more persuasive impact than pure statistics (see Reinard 1988, 23–25, 29), and also in this research the data showed that examples and personal opinion testimonies were all used as credible "evidence" together reference communication statistics.

Due to satisfaction or dissatisfaction regarding earlier experiences, **the shade** of the reference information can be **positive, negative or neutral**. In references, the shade of information is inherently positive: the supplier is often presented as a provider of benefits, as a committed partner, and as a technological expert; and the customer is stereotypically presented as a satisfied customer (see Jalkala and Salminen 2005, 173). Thus, supplier originated references concentrate intrinsically on the positive aspect of information. According to the data, information with more critical tones is spread, too, even by the sellers themselves. The following citation presents how marketers intend to spread this positive information:

A reference customer, who thinks that we are the number one supplier and only rarely mentions our competitor, is the best reference. We know that such a client is "ours". We've got a great relationship with them, they trust us and we're their number one supplier. In such a situation, we have the courage to hand out their contact information because we can be sure of what they're going to say. However, we prefer not to show the references of companies whom we can't be sure of when a buyer asks: we don't know what they're going to say and maybe we're only one of their numerous suppliers.

The scope of reference information varied, first, from **accurate and specific to broad and generic**. Broad reference information on the general performance of suppliers was needed at the beginning of an initiation, for example, to form a set of potential supplier candidates. Specific and accurate information about the seller's special know-how is also needed if there are special requirements. Secondly, the information can be **about the whole agency or about one particular expert's performance**. In knowledge intensive services, skills and experience can be attached to certain professionals or to the organization (see Løwendahl 2005), and therefore reference information can be linked to the skills of an organization and/or the skills of a particular professional, as well. In this situation, the question is, does the reference evidence refer to the robust performance of an organization or the particular professional:

When a new advertising agency is being set up, one that hasn't had a single project yet, it's being set up by people from the top agencies in the country, and the action is gained by those people running to every advertiser within a month and showing every job that the team has done at their previous agencies. After that they have clients, although they haven't got any references. So it's about people being connected and knowing certain people and how to do the job. They know how to do the job.

Also **the age of reference information** counts. The performance of the service provider does not always advance; regression can also occur. The findings suggest that the age of reference information is actually two-sided: the **recentness and freshness** of a reference experience indicates current competence and recent success, but **continual success stories over a long period** and success stories that can resist the march of time indicate continuous success:

The reference has a tendency to get old 'cause the settings are changing. On the other hand, if someone still recommends you after 12 years, they have to have quite a strong trust. This dynamic runs both ways.

Reference information's flexibility varied from **flexible** to **fixed** in nature. In written lists of customer names, reference information is often fixed: the name lists are not modified at the point of communication. The data suggested that the changes in the context also require the modification of the reference information, and the existing experience cannot be used in a new context without adaptation. If this context and situation dependence is not spelled out, and if the recipient of reference information wishes to apply the existing experience to the new context, he/she needs to interact with the information source to ascertain its applicability to the new context. According to the findings, orally shared knowledge is more flexible: person-to-person recommendations or orally presented references and other oral types can be modified in interaction between the source and information seeker. A CEO in design illustrates this:

When you have long experience in the business, you've got a lot of stories to tell. There are different reference cases. The same cases match a lot of clients, but you just have to tell it in a different way.

The **accessibility** of the reference information varied as well. The existing literature suggests that reference information can be relatively confidential, for example confidential references (cf. Salminen 1997, 257) or relatively openly shared oral word-of-mouth (cf. Cornelsen & Diller 1998). Analysis of the data produced categories such as **confidential, sensitive or open** for accessibility. The data revealed that through word-of-mouth channels and collegial peer communication networks, sensitive information could be shared through face-to-face interaction. Such interaction facilitates the sharing of tacit knowledge and informal confidential information, and membership of social networks and communities of peers enables access to sensitive reference information that is shared among industry insiders. Therefore, membership of specific networks might be advantageous, particularly if membership of the network is restricted (see Nahapiet & Ghoshal 1998, Uzzi & Dunlap 2005). Some reference works, artefacts, customerships and relationships are classified, and information in such cases remains confidential. The information seeker did not have access to it through references, as the following quotation expresses:

In banking, references are extremely classified. We are not allowed to say who our clients are.

Moreover, the professional firms as seller parties were very careful with confidential reference information, because confidentiality and trustworthiness are important features of professional services, and consequently, by communicating web references and reference lists carefully, professional agencies were able to signal their trustworthiness. In particular, if information is written, its accessibility needs to be controlled, which makes such information more risky for service providers. The data included many examples of this:

You try to avoid putting anything down in writing that could contain too much information. Of course in a conversation you can, by your own consideration, try to illuminate some of these possible reference cases a bit more. There's this kind of trust issue, too.

When something is put on paper, it's easier to misinterpret and the information can end up in the wrong hands. For example, this paper here is drafted to a certain client and not meant for the public. If I carelessly showed these to potential clients, maybe the recipient would start to wonder, what will they say about me. That too is a thing you have to think through.

Particularly, putting sensitive reference information on the Internet is considered risky, because information is then available globally for everyone, even the confidential details. However, in some industries, such as in advertising, references are more open and seller organizations very keenly and openly push reference information into the public media:

One way to show your know-how is to make your references public and get them some publicity. Yesterday there was this great example of an advertising agency's job on a talk show. It was shot in a coffee bar and about 46 times you could see the name VBar because V had opened this new bar. It was a totally planned thing. A newsletter will probably come out soon from V's advertising agency saying they have planned this.

Sometimes the information was "semi-open", in other words the reference information was partly open and partly confidential:

Some of our cases can be mentioned, but some of them can't be named. If the customer is a public figure, I can't say what I've done for them. Instead I have to show the job and say that this is located in Kaskisaari and this in Kulosaari and this is in Eira[2]*. That creates a good image already. That's enough information and efficient. A new client understands it, if he/she knows the areas that it's a demanding and wealthy client and doesn't necessarily need to know any names.*

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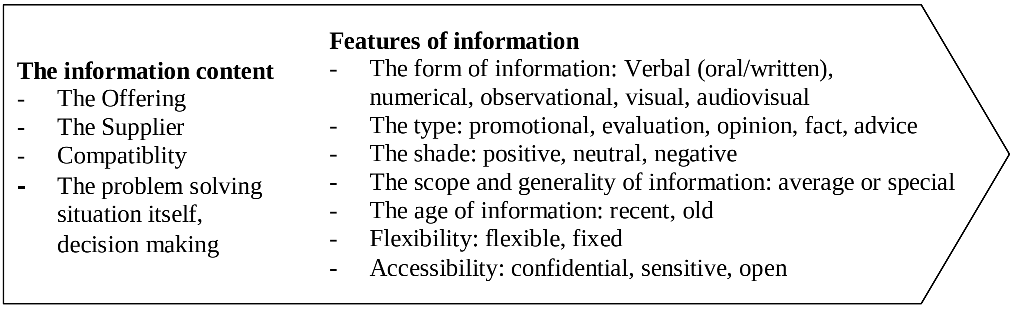
[2] The highest priced and most valued areas in the capital of Finland, Helsinki



The information content

- The Offering
- The Supplier
- Compatiblity
- The problem solving situation itself, decision making

Features of information

- The form of information: Verbal (oral/written), numerical, observational, visual, audiovisual
- The type: promotional, evaluation, opinion, fact, advice
- The shade: positive, neutral, negative
- The scope and generality of information: average or special
- The age of information: recent, old
- Flexibility: flexible, fixed
- Accessibility: confidential, sensitive, open

Figure 17 The reference communication message: the content and features of the information

Figure 17 summarizes the main findings concerning the message element in the reference communication, i.e. reference information. The arrow in the figure refers to the message element in the model. According to the findings, reference information comprises four kinds of reference information domain, and this information varies by form, type, shade, scope, age, flexibility, and accessibility.

4.5 Conclusions on reference communication

This chapter analyzed the concepts of references, reputation and word-of-mouth as reference communication types in initiation. This reference communication section through abductive research process similarities between references, reputation, and word-of-mouth were identified and analyzed and an umbrella concept, “reference communication” was introduced. The chapter also explored the core reference information that is embedded in reference communication types. Secondly, through analysis of the data and relevant literature, the section identified differences between concepts, as it analyzed the characteristics of each reference communication type as distinct reference communication mechanisms and emphasized differences between the concepts. Thirdly, this reference communication theme investigated reference communication’s contributions to relationship initiation.

4.5.1 The similar and distinctive features of reference communication mechanisms

Similarities and differences between references, reputation, and word-of-mouth were analyzed by reviewing these concepts in light of the general communication model as it provides structural elements, such as actors of communication, channel and the message, that provide a good foundation for comparing the concepts.

4.5.1.1 The concept of reference communication and its core features

Through abductive analysis, the umbrella concept of *reference communication* is defined as *communication based on the previous experiences of external actors.* The previous literature indirectly indicated similarities between the references, reputation and word-of-mouth concepts. Some authors mention that a good reputation reduces the need for references or referrals (e.g., Salminen & Möller 2006, Ewing et al. 1999). This is natural in the light of reference communication thinking: some of the required information concerning previous experiences is already conveyed through reputation. The empirical research in this study confirms that this kind of umbrella phenomenon exists, and that several concepts under the umbrella are interrelated despite their partly distinctive features. For example, reputation is built through reference presentation and spreading word-of-mouth, and reputation confirms references presented by the seller or word-of-mouth spread by personal externals. Word-of-mouth, reputation and references offer parallel information concerning an external's experiences of the provider's performance, even though they have distinctive mechanisms for conveying this information. Key aspects and findings are emphasized next.

Empirical investigations deepened four common aspects that were identified through the literature analysis as common to all concepts. "The reference communication" concept was developed around the four core features of word-of-mouth, reputation and references. First, there are **external actors** involved in communication in the above-mentioned concepts. The external can be either an active sender of messages (as in referrals) or a passive backup (acting as a reference), but in both cases, the presence of the external actor without direct monetary reward increases the credibility and "objectivity" of the experiences. These external elements make reference communication "uncontrollable" and "unplanned" for sellers, but crucial and trustworthy information sources for buyers. This study found that the external actors refer to **organizations, persons, communities** or **artefacts**, and these externals can be customers who give e.g. references and testimonials, or all the various stakeholder firms and persons who pass on information about reputation and provide e.g. word-of-mouth. Current and previous customers provide information based on their own user and customer experiences by acting as reference customers and word-of-mouth sources. Several non-customer sources such as colleagues with social and expert dimensions were found to offer good access to reference information with sensitive features, and peers and colleagues were especially found to offer information that is accurate and valid because they are experts in their focal industry and share similar needs and problems as the information seeker. These findings extend and structure understanding generated by the earlier research that has often examined satisfied, current and previous customers (Salminen & Möller 2006, Feldman Barr & McNeilly 2003), and non-customer sources (Feldman Barr & McNeilly 2003, Henthorne et al. 1993, Herriot 1992, Money 2000, Wheiler 1987).

Secondly, reference communication is based on the **experience** of customers, colleagues and other stakeholders. This experience is condensed into **reference information** that forms the main message of reference communication. In references the experience is usually based on user experiences, but through word-of-mouth and reputation the experiences of experts and others can also be transmitted. Information reflects the nature of the experience and the perspective of the external. The message can convey **user** knowledge (information about a solution's long term use, problems and advantages) and **expert** knowledge (information about the problem solving situation and expert evaluations regarding the performance of the supplier and offering). As reference information was considered to be the main reason for reference communication, it was studied deeply in order to identify the information content attributes. This study developed four information domains for reference information; **the offering, the supplier, compatibility, and the decision making situation itself**. These findings are supported by the previous reference literature and buying literature that briefly discuss the product- and supplier/vendor-related information categories (Jalkala & Salminen 2009, Salminen & Möller 2006, Bunn 1993), which match the offering and the supplier information domains identified in this research. This study also generated new information content categories, such as information concerning the decision situation and compatibility. In initiation there is a need for a **variety** of information, since numerous reference customers, works and advocates signal solid and good performance and trustworthiness, but there is also a need for **specificity**, since specializations and the customer understanding need to be communicated in order to strengthen the matching aspect in initiation.

Findings reveal that reference communication types stress different aspects of reference information: References offer information on the functionality of the solution as reference descriptions provide a more detailed view on the content of the service process and the capabilities of the supplier, presentation of the valued or relevant reference names indicate a company's superior performance or compatibility, and reference visits enable to evaluate the functionality of the solution more thoroughly and to form a conception of the offering and to clarify the demands of the focal buying situation. Oral practices, such as referrals, advice networks and word-of-mouth, convey sensitive user and expert information and contacts to the subsequent information source. Reputation provides general information about the success of a supplier and their performance over time, since it merges various experiences and perspectives taken over a long period of time.

Thirdly, in reference communication information on experiences is **shared onwards through diverse channels and practices**. Reference communication channels vary from impersonal channels (references on the Internet or in lists), or through personal, oral channels (word-of-mouth), or through “hybrid” channels where various impersonal and personal channels and sources are mixed. The findings showed that the reference communication channels and practices can be biased or neutral, formal and informal, personal and impersonal and flexible enabling two-way communication or inflexible enabling only one-way communication. For example, during observational reference visits, visual reference artefacts and oral word-of-mouth can both be employed, or word-of-mouth sources can be used to represent work completed, or work completed can be used as references to complement oral testimony or reference cases can be presented in the media and thus combined with reputation building. Some reference communication practices emphasize social relations and personal information sharing between individuals. Thus the findings of this chapter elaborate the literature that discusses how business actors utilize various types of channels, such as personal and impersonal; commercial and non-commercial; mass media and non-mass media, informal and formal; direct and indirect; buyer- or seller-dominant channels, to convey and acquire information (Bunn 1993, Newall 1977, Johnston and Lewin 1996). This study shows that different reference communication channels and practices have different kinds of tasks throughout an initiation; for example, written channels may convey fixed information to raise attractiveness in early initiation interaction, oral channels offer the possibility to customize information, and observational channels offer the opportunity to visualize the required offering.

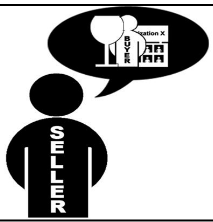
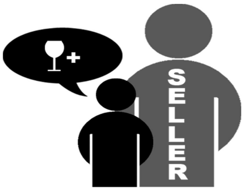
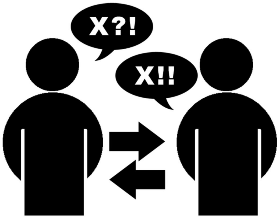
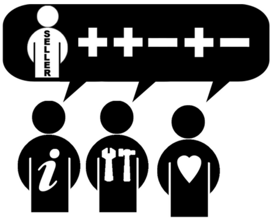
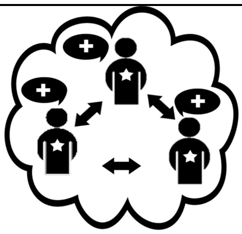
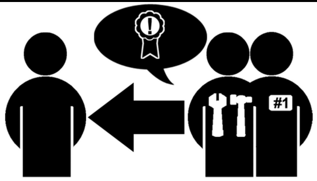
Fourthly, in reference communication **past-related information is used to scan the future**. Even though communication bases on past experiences, the goal of communicating reference information is to help with the pre-purchase evaluation, to form expectations and reduce the risk surrounding a new customer. Thus, past-related information on suppliers, offerings, compatibility and decision making is shared through diverse reference communication types to facilitate initiation that influence the future of the both parties.

4.5.1.2 Differences between reference communication types: Characteristics of each reference communication mechanism

The study also contributes to our knowledge on reference communication by clarifying and refining the distinctive characteristics of the reference communication sub-concepts.

The polished definitions of each studied concepts are presented and summarized in Table 8. In word-of-mouth and in reputation, reference communication originates from the external actor and regarding references it is sent by the seller. To conclude, references are marketer controlled performance signalling in which suppliers inform their own credibility through various personal and impersonal communication channels; reputation remains slightly blurred but it can be said to be constant long term signalling that originates from various external stakeholder sources operating through hybrid channels; word-of-mouth is personal subjective signalling based on personal experiences, which are communicated through oral channels and occasionally in one-to-one situations.

Table 8 The polished definitions of the reference communication sub-concepts

Concept	*Definition*	*Illustration*
Seller originated and controlled reference communication		
Reference	Existence (and evaluation) of satisfied customers and examples of previous work communicated and controlled by the seller	
Testimonial	Satisfied customers' evaluation communicated by the customer but controlled by the seller	
External reference person originated and controlled reference communication		
Word-of-mouth	Evaluation, statement or opinion originating directly from a personal source	
Recommendation	Positive evaluation originating directly from a personal source	
Referral	"Advice" given to a contact directly from a personal source	
Collective originated and controlled reference communication		
Sharing reputational information and reputation building	Long term evaluation originating from various stakeholders through multiple channels	
Peer communication network: a concept between word-of-mouth and reputation	Conception of a firm's performance among peers/experts/industry insiders in the focal industry/business area.	
Award	Recognition of good performance and competence that is rewarded by the (expert) community	

To this point, referrals and recommendations have mostly been studied as one-way dyadic mechanisms between the seller and the external or the buyer and the external. This study treats them and all reference communication types as triadic communication mechanisms between the seller, the buyer and the external and thereby elaborates the traditional communication model by presenting reference communication as multi-way communication in a triadic communication situation (see Figure 18). The buyer is an active communicator who asks for references and recommendations and equally the external is regarded as an active or reactive communicator who participates in communication.

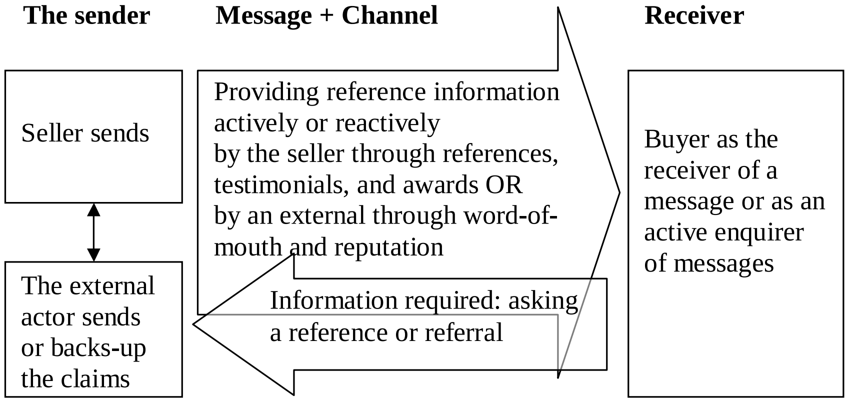

The sender
Message + Channel
Receiver
Seller sends
Providing reference information actively or reactively by the seller through references, testimonials, and awards OR by an external through word-of-mouth and reputation
Buyer as the receiver of a message or as an active enquirer of messages
The external actor sends or backs-up the claims
Information required: asking a reference or referral

Figure 18 Reference communication as triadic two-way communication: the roles of the sender, receiver and the external in reference communication

In the following, the differences of each reference communication concept are further refined as different kinds of “mechanisms”. Each type of reference communication is a communication between three actors, but there are clear distinctions between mechanisms: the roles of the sender, the external and the buyer are different in each reference communication mechanism, as Figure 19 depicts.

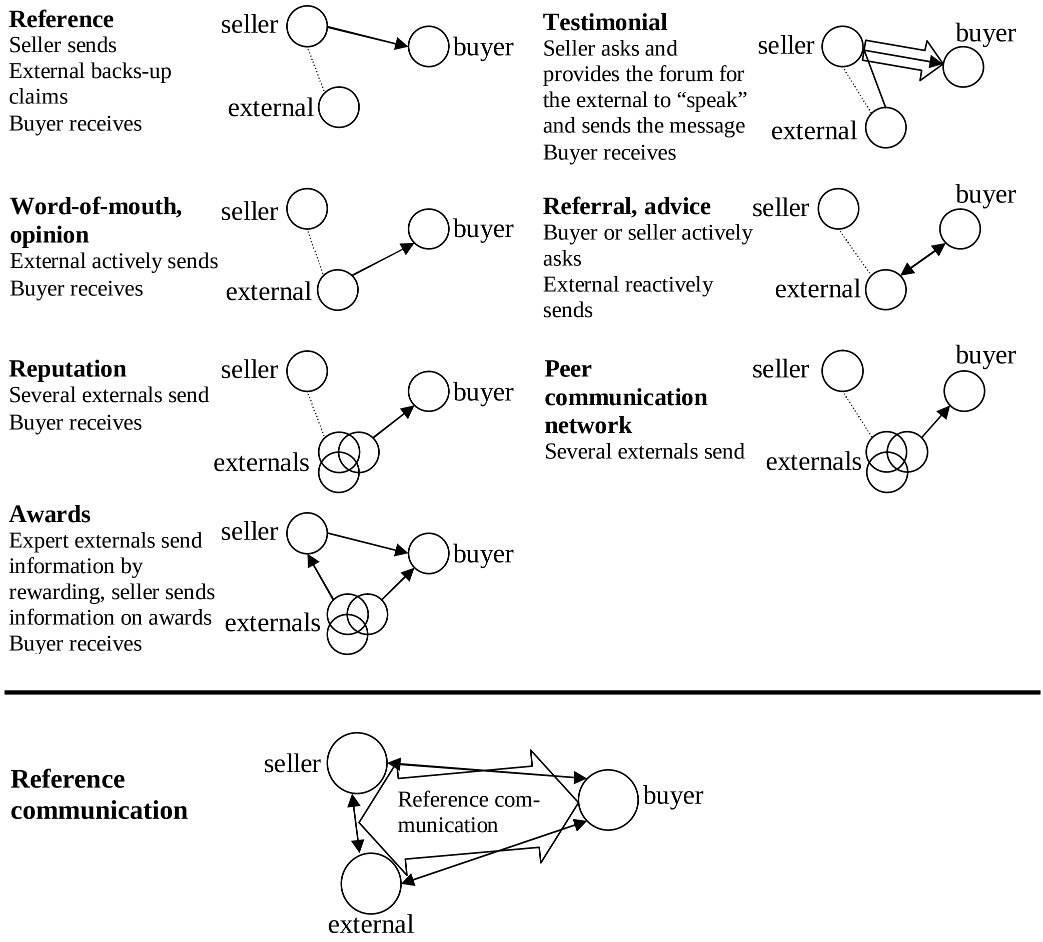

Reference
Seller sends
External backs-up claims
Buyer receives
seller
buyer
external
Testimonial
Seller asks and provides the forum for the external to “speak” and sends the message
Buyer receives
seller
buyer
external
Word-of-mouth, opinion
External actively sends
Buyer receives
seller
buyer
external
Referral, advice
Buyer or seller actively asks
External reactively sends
seller
buyer
external
Reputation
Several externals send
Buyer receives
seller
buyer
externals
Peer communication network
Several externals send
seller
buyer
externals
Awards
Expert externals send information by rewarding, seller sends information on awards
Buyer receives
seller
buyer
externals
Reference communication
seller
buyer
Reference communication
external

Figure 19 Reference communication mechanisms

The credibility of reference communication mechanisms varies, too; if the message comes directly from the external or from diverse externals, the reference information is considered more credible. Thus, the credibility aspect is complex: credibility concerns first the external “reference’s” own credibility (is the external credible and independent), secondly the amount of experience perceived in the external references (one person versus the community, one or multiple experiences), and thirdly the directness of the communication within the reference communication mechanism (is communication controlled by the marketer, by one person or by the community; does the external directly or indirectly share its experience). In other words, the information seeker also considers the expertise of the external, and the generalizability and usability of the reference information. It could be assumed that independent externals and direct reference communication mechanisms would offer the most credible reference information; however, the empirical data showed that if the buyer doubts the expertise, independence or degree of experience of the external reference, it may not consider the reference communication credible. On the other hand, well presented, well chosen and well argued references on the part of the marketer itself could be considered credible.

As this chapter provided also new knowledge on the reference communication types' differences, each concept's typical characteristics are summarized in next.

References and testimonials are the seller's tools to prove, with the aid of the external actor, its capability. They represent existence (and evaluation) of satisfied customers and examples of previous work and are communicated and controlled by the seller. The study found that the main embodiments of references are oral descriptions and name dropping during a presentation, observational artefacts shown during presentations, reference visits, written lists provided during selling activities or through the Internet. References provide a good glimpse of "average solutions" and "average customers" or "special solutions". With references the seller can refer to a customer organization, a work as an artefact or a person within a customer organization that is assumed to contribute positively to initiation of new business. References offer verbal, numerical and observational information on service offerings, the supplier's capabilities and trustworthiness, compatibility and the problem solving situation itself. References convey relatively open and accurate information on the special and basic competences of suppliers. References enable sellers to demonstrate their capabilities and the functionality of their offerings through reference cases and reference lists, oral descriptions, written documents and reference visits. The seller can present its references either actively or reactively when the customer requests them. By presenting references, the seller can illustrate its core and special competence, typical and special works and customers in order to create awareness, to attract customers, to convince customers and to demonstrate whether they match with a customer's requirements. Thus, references are important in awareness and attraction creation and they also reduce risk by providing concrete evidence about the value and functionality of a service/product in use. In references the seller provides information and customers as external actors have backup roles (see also figures 18 and 19). However the presence of external actors is a statement about the seller's trustworthiness, success and the quality of the offerings. References are seller-dominated compared to word-of-mouth and reputational information: the service provider intentionally communicates the references and thus controls the selection of information. Because the experiences of previous customers are conveyed indirect and the seller mediates the message, this lowers the credibility of the information compared to word-of-mouth and reputation. Also the testimonials can be considered a kind of reference. These findings extend the literature that has investigated the essence of references (cf. Salminen & Möller 2006, Ruokolainen 2005, Jalkala 2009).

Recommendations, referrals and word-of-mouth are statements, evaluations, opinions or advices originating directly from a personal source. In general, oral practices and reputation can be considered to be a buyer-dominated reference communication mechanism. Word-of-mouth comes directly from an external actor and this improves its credibility (see figures 18 and 19). The external actor in word-of-mouth, referrals and recommendations can be a customer, a competitor or a colleague from a related industry; this gets support from earlier research (e.g., Wheiler 1987, Herriot 1992, File et al. 1992, Wilson 1994). The information conveyed through these informal person-to-person practices is more individualistic and specific, and it can offer, for example, flexible user information. Hence, through referrals and word-of-mouth buyers may obtain more specific, confident and sensitive information; references presented by the seller party cannot offer such information. Oral practices may also offer contacts on the subsequent information source – that is problem solving information – that is useful in initiating. Since word-of-mouth offer personal and sensitive evaluations from user or expert perspectives, such information is not available and accessible to all information seekers. Instead, access to such information is gained through possessing social relations and attending social events.

Reputation is long term evaluation originating from various stakeholders through multiple channels**.** In reputation, the external actors form a large undefined group that provides information about previous experiences (see figures 18 and 19). Thus, sharing reputational information is a collective reference communication mechanism, since the diverse experiences of diverse business actors are merged over a long period (cf. Gotsi and Wilson 2001, Yoon et al. 1993, Fombrun 1996, Caruana 1997). On this account, reputation offers relatively credible information that covers the various experiences and perspectives of a heterogeneous group of externals. However, because reputation conveys long term evaluations of various stakeholders from various perspectives, it cannot offer detailed information on a single situation and from one perspective, as referrals and references can. Reputation is proactively and constantly available: it is the common knowledge of business actors that is constantly shared and scanned, and not only for a special purpose. Reputation is a mechanism that is especially employed in the beginning of the buying process before looking at the references of the potential seller in more detail. However, the firm possesses a reputation only if it already has a history among business actors and it is recognized. Thus, reputational information is not always available for information seekers: startups do not have an established reputation and the reputation of a distant firm is not available either for a potential customer. This study also identified a **peer communication network** that is narrower mechanism than reputation that occurs among undetermined community, but a wider mechanism that one-to-one word-of-mouth (see Table 8 and Figure 19). In this mechanism, a community of peers share their various experiences from a focus group perspective. The members of the community are able to provide unbiased information from an expert perspective and provide accurate and detailed reference information that is useful in the focal situation. Since information sharing happens among peers, it can particularly be considered a social control mechanism that enhances the credibility of shared reference information.

Furthermore, there are also **awards**, that can be utilized as references but which are also related to reputation. The awards are usually communicated through the media and by other stakeholders as well (see Table 8 and Figure 19). Awards also provoke word-of-mouth recommendations.

Finally, the identified similarities and dissimilarities of reference communication types are presented in Table 9: all reference communication types hold identified common features (external, experience, “information is shared further” and “past experience predicts future”) but each type realizes these aspects differently.

Table 9 Main similarities and differences between reference communication types

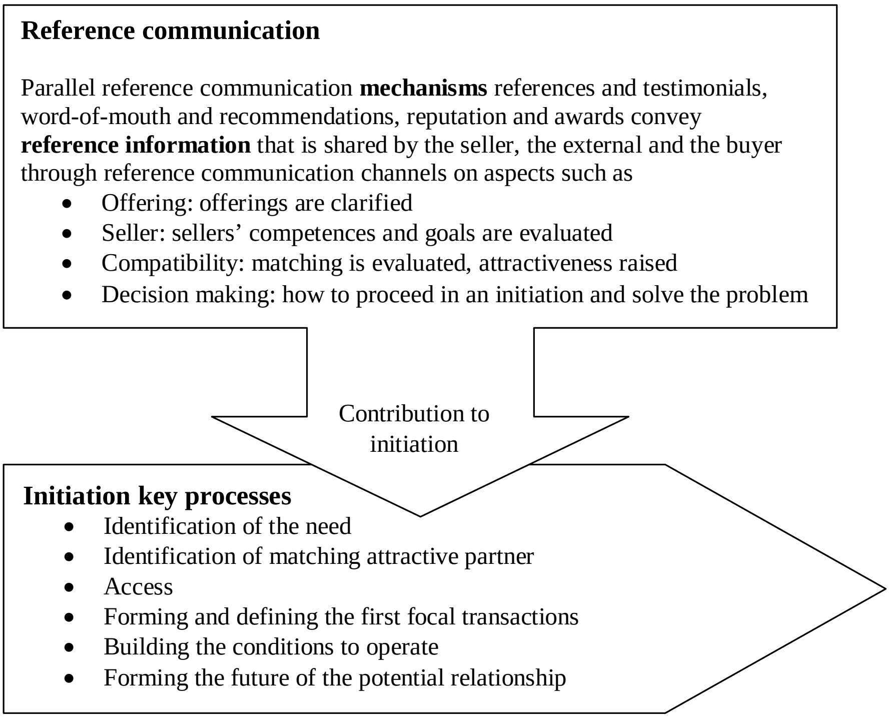
Similarities	***Differences***
External actor involved	References: - External: acquired customer or a case - Its role: passive “backup” reference or reactive “testimonial” serves as an external backup, since the seller sends the message
	Reputation: - External: blurred group of stakeholders - Its role: an active collective controller, since a group of externals sends the message
	Word-of-mouth: - External: various externals such as customer/expert/colleague - Its role: active, reactive, since externals send the message
Experience based information on - the supplier, - the offering, - compatibility, - the situation, decision making	References: - Information: verbal, written, numerical or observational information on capabilities and offerings, functionality, and average customer and solutions
	Reputation: - Information: long term, general, broad, anonymous and “blurred” collectively produced long term information on the compatibility, competence and success of the supplier
	Word-of-mouth: - Information: verbal subjective opinions, evaluations, statements, advice, containing user information or expert information on compatibility and decision making, offerings and competences of the focal supplier. - Externals can also make comparisons on the basis of their experience. - Information is often subjective, flexible, credible, sensitive, confidential and “informal”.
Experience is shared	References - Experience is presented through oral descriptions, observational artefacts and reference visits, written (verbal and numeral) data in reference lists and on the web, audiovisual etc. - The seller presents references intentionally and actively during selling or reactively when asked. The buyer can actively seek references particularly through web pages. - The externals experience is communicated indirectly and the seller can control the communication; references are seller-dominated practices
	Reputation - Experience is communicated verbally and directly, but reputation is also built indirectly through publicity and media, and thus it is a sort of “hybrid” practice
	Word-of-mouth: - Experience is shared by the referee actively or reactively directly and orally. - Referrals are more intentional than word-of-mouth, since referrals can be considered as advice to contact someone, whereas word-of-mouth can be considered an opinion or an evaluation.
The past effects on future in initiation	References - Strict narrow information on product/supplier competencies, compatibility, and the elements of the offering may build attraction, trust and facilitate decision making concerning the solution.
	Reputation - “Generalizable”, broad, anonymous information on long term performance over time may build awareness and initial trust through social control mechanisms.
	Word-of-mouth: - Sporadic personal advice and evaluations that bring compatible parties together and highlight attributes and perspectives that are important in the focal initiation.

4.5.2 Reference communication in initiations

This section summarizes the findings with regard to reference communication in initiations of buyer-seller relationships. Reference communication is relevant in an initiation, as information related to the past is used as a substitute by customers who lack their own sufficient experience to ease initiation. Reference communication can be biased towards the seller, if experienced externals support the seller in presenting its capabilities and offerings, or towards the buying party if an experienced actor offers information about the buyer's information needs and requirements.

First, the reference communication in a **seller's initiation processes** is summarized. Reference communication possesses various roles during a dynamic initiation process starting from awareness and attraction creation. The seller party uses reference communication to build awareness, to build access and approach clients and to present offerings and their benefits and functionality. With relevant references and other success signalling, such as presenting awards and employing word-of-mouth and reputation spreading a seller can attract customers and inform potential buyers about the kind of customers they themselves are attracted to, in other words, those who would be their strategic target customers and prospects. Compatibility information is particularly important since it conveys information on the matching aspect of initiation. The seller can also approach potential customers with references and referrals and they may offer access to new customers. The study shows that reference communication is involved in building expectations and making them clearer as it eases eliminating unrealistic client expectations and indicating the best client-company collaboration methods. With reference communication sellers are able to show their competence in an approachable way and establish their credibility. The supplier must demonstrate an ability to resolve the customer's problem as service providers need to not only understand the dimensions of the problem, but also need to provide a solution to a problem, and reference communication can be used for this issue as well. Sellers can show their customer understanding by customizing the reference communication actions to particular audiences, for example by using relevant referees and by adapting their references to the situation and to the client.

Reference communication contributes to **the buyers' initiation sub-processes**, since the surrogate indicators of past experience such as references and company reputation facilitate performance monitoring and future scanning (cf. Nunlee 2005, Ford 1980, Day et al., 1994). Need recognition can be inspired by a reference or word-of-mouth testimony. Reference information can be used to monitor long term benefits (such as the relationship, the value of the solutions and common strategic goals) or compatibility. This study found that personal word-of-mouth evaluations and oral references become more relevant as an initiation proceeds and this gets support from the literature (e.g., Bunn 1993, Johnston and Lewin 1996). In the latter phases of initiation, reference communication through references particularly aid in evaluating a certain quality to price relationship and eliminate “unworthy” suppliers or serve as a final trust creating criterion in making the final selection. During initiations, buyers often call for references and positive word-of-mouth. Moreover, buyers appreciate reference information highlighting success (success stories told through references, reputation and word-of-mouth) since it builds a buyer’s trust in the seller party and its competence. The findings revealed how a number of “external references” or the compatibility of the “references” enhances the initiation processes.



Reference communication

Parallel reference communication **mechanisms** references and testimonials, word-of-mouth and recommendations, reputation and awards convey **reference information** that is shared by the seller, the external and the buyer through reference communication channels on aspects such as

- Offering: offerings are clarified
- Seller: sellers’ competences and goals are evaluated
- Compatibility: matching is evaluated, attractiveness raised
- Decision making: how to proceed in an initiation and solve the problem

Initiation key processes

- Identification of the need
- Identification of matching attractive partner
- Access
- Forming and defining the first focal transactions
- Building the conditions to operate
- Forming the future of the potential relationship

Figure 20 Reference communication in initiation processes

Figure 20 depicts how diverse reference communication types with reference information may contribute to initiation key processes and thus integrates the empirically identified and analyzed reference communication types and reference information domains with the conceptually formed initiation processes. Reputation and word-of-mouth, awards won and Internet references in particular help to build awareness. References provide the facts to be used when making a decision concerning the offering. Word-of-mouth and reputation legitimizes trust. Reference communication brings external information to support decision making: word-of-mouth provides flexible and customized information, while references provide narrow information chosen by the seller and reputation provides general long term information. When buyer's aim to initiate, website references support a customer's activity in their search process but personal encounters and face-to-face communication are still characterized as the richest and the most complete medium of reference communication. Personal encounters allow suppliers and externals to gain a deeper understanding of a customer's problems and convey relevant information, thus the buyer receives information that is extremely useful in its initiation processes. Some communication practices (visual practices, such as visits and reference artefacts) enable parties to outline needs, wants and expectations, and thereby facilitate decision making within relationship initiation.

The findings also showed that the buyer's role shifts from that of information receiver to being a reference communication seeker and back again and the seller party's role varies from that of an active marketer to that of being more interactive and reactive. The traditional modelling of marketing communications, which presents the flow of information as being one-way and in which information is sent from an active sender to a passive recipient, is thus obsolete (cf. Andersen 2001, 169). Reference communication is informing, listening and answering, which require two-way communication.

Reference communication provides credible information effectively: this study found that the effectiveness of reference communication originates of its features, such as good timing, credibility, flexibility and customization, and relevance to the current situation. This partly contrasts with the existing literature that stresses the reduction of promotional costs since word-of-mouth sources spread promotion inexpensively (e.g. Mason 2008, 212). Findings of this study highlight that in a reference communication situation, the buyer is usually willing and motivated to receive and to seek information.

The findings indicate that different kinds of information are needed throughout relationship initiation: buyers need different kinds of information during the different phases of an initiation and sellers need to stress different kind of arguments as the process proceeds. References do convey relevant positive information about the experiences of previous customers and indicate success, but the use of word-of-mouth and reputational information adds the required social dimension. When some kind of social relation exists, a relationship will initiate easier; in word-of-mouth and reputation types of reference communication externals safeguard a seller's performance by risking their own reputation. Usually all candidates on the shortlist are capable of completing an assignment and therefore the relevance of the softer criteria usually increases in this phase (cf. Day & Barksdale 2003). Thus, word-of-mouth and references indicate softer sides by conveying more information about social co-operation and the interaction skills of the potential seller. Moreover, the contribution of experts and buyers of similar products through reputational information sharing and word-of-mouth spreading are crucial especially in professional services and complex buying situations: they provide credible and understandable information in the situation in which the customer cannot evaluate the expertise and special competences of sellers.

Business services are intangible and heterogeneous, but reference communication and especially references can provide the tools to present more visible solutions and make the offerings and capabilities of the service provider tangible. With reference communication activities, tailor made solutions and their long term benefits can be demonstrated and discussed and the buyer can be guided through the decision making concerning the service process. Previous customers and projects provide examples of previous service processes and results, and thus the customer can use information on potential solutions and their long term benefits or costs before any transaction is made. Reference information can also make clear the service production process by outlining what the service outcome and the process could be. This may aid the service provider and the client in their attempt to negotiate and define the desired service.

It should be noted that reference communication practices varied among professional service industries. The confidentiality particularly in some professional services, constrain the kinds of reference communication practices that are possible. As result, some service industries, such as business banks, attorneys and technical engineering, have restricted opportunities to utilize references in order to initiate; they, however, rely on reciprocal referrals. In creative professional services, such as design, oral reference descriptions and designed artefacts were the most commonly used reference practices, and in technical services, such as engineering, sellers count on numerical facts and the names of customers, and sometimes also on reference visits. In advertising agencies, the works are public, and thus they are easily exploited as references. One problem of using customer references is that it can take a long time before a sufficient amount of experience has been gathered, systems have been in used an adequate time and a realized project turns into a credible reference (Ruokolainen & Mäkelä 2007, Salminen 1997). In some service industries, references can be built sooner, almost immediately after the assignment. However, proving the long term benefits takes time in the service sector.

Finally, this section concluded that external actors and their contribution is a clear common feature in reference communication. Their contribution took diverse forms and occurred with diverse activities and motives. Therefore it is important to focus on these externals next and to investigate in more depth their types, activity and roles in initiation.

5 AN EXPLORATION OF THE THIRD ACTOR'S CONTRIBUTION TO INITIATIONS

Business markets can be seen as webs of relationships, where those relationships do not exist in isolation but are connected to each other. In initiations, this view stresses that network actors and existing relationships have an effect on the creation of new relationships due to their connectedness and "network effects" (e.g. Ritter 2000). Connectedness linked to initiations implies that network actors can be involved intentionally or unintentionally in creating new business relationships, because actors' relationships can launch the initiation of a new relationship. For example, if a seller or buyer party lacks access to the other, the parties may approach each other through networks and existing relationships rather than directly. In this chapter, these promoting network actors are viewed as "third actors" facilitating initiation between two parties (see Figure 21).

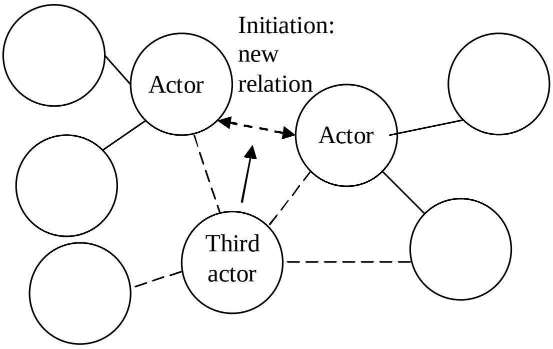


Figure 21 The network effect through a third actor on an initiation

When a third actor is involved in relationship initiation, at least three actors – the seller, the buyer and the third actor – and their relationships are involved, and thus a triadic view is needed. In considering initiations as a triadic phenomenon, some previous studies provide initial knowledge. For example, Ritter (2000) studied triadic configurations in which actors and their relationships have positive and negative impacts on each other's relationships. Havila (1996) studied the role of the intermediating actor in business relationship triads. Recently, Holma (2009) has studied adaptation in triadic business relationship settings. Salminen (1997) investigated references, and sees referencing as a triad comprising a reference customer, a seller and a new customer.

However, third actor contributions in initiations have not been studied in-depth before, but some features have been remarked on in the existing literature. Ellis (2000) found that most of the initiations in companies' entries into foreign markets were based on third parties rather than seller initiated exchanges. Furthermore, third parties were found to play a middleman role as they brought the potential transacting parties together through their existing relationships. Batonda and Perry (2003) state that relationship development and especially initiation can be triggered and affected by external parties, because the search for potential partners is affected by outside and inside sources, and an initial contact can be made directly or through an introduction made by a third party. Similar kinds of finding have been reported by Holmen et al. (2005), who discovered that some initiations can be launched by mediators. Ritter (2000) found that an introduction by a third party or a reference as a third party can have a positive effect on emerging network relationships.

A third actor may participate in an initiation process by executing various tasks in a variety of ways, and it may help both parties of a dyad in (see Figure 22): in case A, the third actor assists the buyer party and shares its experiences of the seller with the potential buyer, for example, where an expert recommends a well performing firm; in case B, the third actor supports the seller e.g. in prospecting, by identifying potential customers and recommending them to the seller.

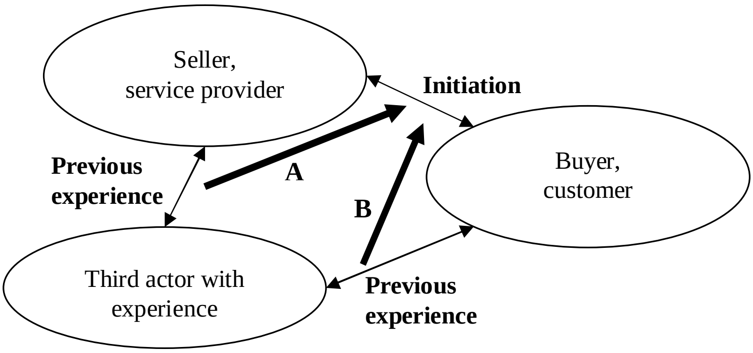


Figure 22 The third actor's contribution to an initiation of a business relationship

The important role of third actors in an initiation process is based on the experience and relations they possess. Due to its relations and experience, a third actor is able to offer an objective view of potential business partners, at least more objective than the buyer or the seller itself could provide. As third actors are considered to be external actors to an emerging dyad, and who do not acquire monetary rewards, they are seen as credible information sources (see earlier findings in section 4.4.2.1) or dependable mediators who complete missing connections. This chapter concentrates in detail on these third actors and their contribution in initiations.

5.1 Theoretical background of third actor theme

5.1.1 Reflections of third actors in initiations within the literature

Although there is little focused research on third actors available, some research areas (see Figure 23) provide indirect evidence of the role of third actors: the network literature (such as IMP networks and social networks), buying literature, selling literature, word-of-mouth literature and professional service literature. Each literature domain provides terms and labels, characterizations and structurations, which are useful in structuring the third actor phenomenon, and therefore all these literature domains are explored next to provide a theoretical base for third actor types, their activities and roles in initiations.

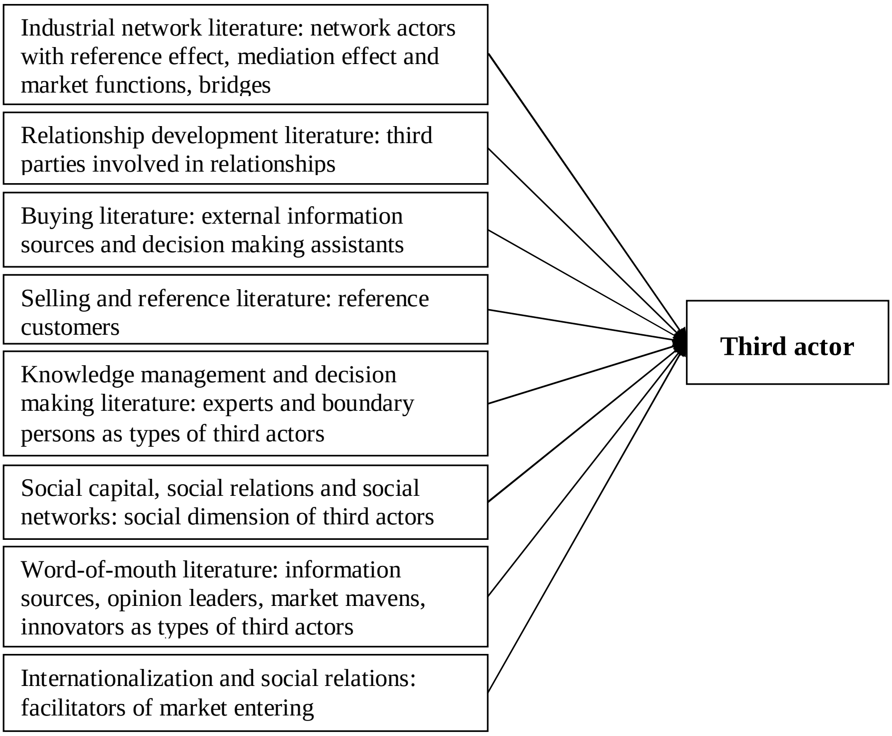

Industrial network literature: network actors with reference effect, mediation effect and market functions, bridges
Relationship development literature: third parties involved in relationships
Buying literature: external information sources and decision making assistants
Selling and reference literature: reference customers
Knowledge management and decision making literature: experts and boundary persons as types of third actors
Social capital, social relations and social networks: social dimension of third actors
Word-of-mouth literature: information sources, opinion leaders, market mavens, innovators as types of third actors
Internationalization and social relations: facilitators of market entering
Third actor

Figure 23 Theoretical background of the third actor theme

The idea of third actors embedded in the **relationship development literature** can be seen as the notion that initiation as a part of relationship development process can be triggered and impacted upon by the external parties and mediators (Batonda and Perry 2003, Holmen et al. 2005, Andersen 2001).

The **buying literature** sees “third actors” in two roles: they serve as information sources and assist decision making since well connected buyers may import the required information from outside the organization, through advocate and “scouting” activities facilitated by external actors (Dawes et al. 2000b, 122, Bristor 1993, 89). Especially novel or purchases requiring high involvement usually lead to external information searches, and in such situations an externals’ role is emphasized. Bunn’s (1993, 76–77) explorative quantitative survey found that industrial buyers look to their business associates, peer group references and leading users of similar products to identify what types of product their organizations should purchase. Mitchell (1998a) found that buyers use colleagues and other external’s evaluations as risk reduction strategies. In Dawes et al.’s survey (2000b, 120), about a third of the studied buying firms indicated that there were external persons involved in the buying process and during several buying stages, such as in identifying the existence of the problem, finding out about organizational needs, in the identification of possible suppliers, in conducting searches for information about suppliers, in the evaluation and recommendation of suppliers, and in the selection of the final supplier.

The **selling literature** shows that sellers can approach new potential customers through introductions made by the external parties of referees (Moncrief & Marshall 2005, Yavas et al. 2004) and this is also mentioned in the relationship development literature (Batonda and Perry 2003), and network literature (Ritter 2000). Furthermore, sellers can utilize their acquired reference customers to convince potential customers of their worth and to sell projects, as the reference literature presumes (Ruokolainen 2007, Salminen & Möller 2006, Jalkala & Salminen 2009). Introductions, referrals, the use of contacts and reputation that involve “third parties” are found to be the most effective practices for generating new business for sellers (Waller et al. 2001, Ellingson et al. 2006, Feldman Barr & McNeilly 2003).

Moreover, diverse **network literature** provides a foundation for understanding the types and activities of third actors. The network concept in general can be applied to various types of actors (individuals, groups and organizations) and various network approaches can be distinguished (Oliver & Ebers 1998, Araujo & Easton 1996). For example, Araujo and Easton (1996) distinguish 10 main network approaches which differ from each other regarding to the nature of the actors and their linkages, the methodological orientation and whether the research is oriented towards network structure or network processes. This theme employs mainly industrial networks and social networks to capture the relevant dimensions of the third actor phenomenon, since these literatures both suggest that individuals and organizations may serve as network actors with a promoting effect.

In studies of **industrial networks**, the activities of mediation (Ritter 2000) and bridging (Smith & Laage-Hellman 1992) can be interpreted as illustrations of third actor contributions to initiation. Relationships have signalling reference effects (Anderson, Håkansson and Johanson 1994, Ritter & Gemünden 2003, 745) and market functions (Walter et al. 2001): acquired relationships with customers create access and support suppliers wishing to enter new markets. These studies emphasize connectedness as a reason for the contributive role of "third actors".

Ritter (2000) conceptually studies the positive and negative effects of inter-organizational relationships on other inter-organizational relationships by using triadic configurations. In particular, two mediation situations illustrate how the relationship initiation process between two companies can be affected by existing network relationships: Firstly, a one-sided positive "assistance effect" is realized when experiences gained in one relationship are used in the other and this is a typical scenario for the reference function of relationships. Secondly, one organization may introduce companies A and B to each other, and a new relationship will be initiated as "an initiation effect".

Smith & Laage-Hellman (1995, 55) use the term "bridging", which is defined as "the focal organisation chooses to use another network member as a channel, a facilitator or an influencer in their relationship with a third actor". The idea of bridging is that "the bridge" has connections with a network member in whom the organisation is interested but to whom it is not connected or with whom it does not has an adequate relationship. For example, organizational buyers can approach other buyers of a similar resource and ask for recommendations since existing relationships provide access to market information about prices and about who is doing what with whom.

Walter (1999, 537) studies internal relationship promoters as persons who shape and advance interorganizational exchange processes on the basis of their network of good personal relationships with focal firms and relevant third parties such as customers, suppliers, and competitors. These internal relationship promoters identify the appropriate partners of different organizations, bring them together, assist in overcoming distances between firms and facilitate the dialogue and exchange process between them. This requires specific knowledge regarding the goals, expectations and competencies of relevant parties on networked business-to-business markets. These individual actors possess networks of good personal relationships with significant actors and an ability to develop and use new network relationships, and therefore they help to overcome existing distances between partner firms and to develop an understanding of the situation and objectives of the respective partners.

Helfert & Vith (1999, 554) found that customers have a broad business network relationships with other suppliers, with their own customers, with their competitors and with research institutions. Therefore customers can contribute actively to the market access of a supplier company by providing leads to network partners, by giving a good reference to the supplier company and passing on its information to their business partners, and by bringing members of two companies together. They also distinguish a passive market access function in a customer relationship because many companies advertise by use of the names of their most renowned customers and even a customer with a good reputation or image can contribute to the market access of a supplier.

Some industrial network research connects social networks and industrial networks and thus enhances understanding of the social dimension of the third actor phenomenon. For example, Halinen and Salmi (2001, 7–9) mention that some persons have a positive and negative effect as door-openers and gatekeepers through social relationships in the initiation of business relationships. Door openers have good personal relationships that enable information exchange, assessment, negotiation and adaptation, and the production and transfer of professional services, and therefore they are able to contribute the initiation of a business relationship.

Mainela (2007, 88–92, 96) observes that third party mediation by personal network actors is often needed for initial legitimacy building and for the creation of intercultural understanding and compromises. Mainela notes that for new ventures particularly it is important to have relations with a third party who knows both of two potential business partner and who may help or even be necessary for the creation of a business relationship. Mainela (2007, 93–94) distinguishes several kinds of personal relations between networked actors: *Organizational contacts* are based on organizational tasks and they are used to open doors and to help in the initial assessment of a possible partner. *Organizational relations* are used in the information search, and they are characterized by occasional activation. *Personal relationships*, in contrast, are “ties between individuals who know each other well and have developed a kind of common language for smooth interactions” (Mainela 2007, 94). These kinds of relations are needed for distance reduction. *Friendship relationships* are “qua persona” relationships and having personalized trust in someone, which occurs between well known individuals who are willing and able to help each other on urgent matters and therefore personal favours are reciprocally exchanged.

The **social capital** literature can also be linked to the third actor phenomenon. This literature stream stresses that social relations and social capital are resources that allow access to new resources among a group as a result of their member-ships within the group (Nahapiet & Ghoshal 1988, Butler & Purchase 2008, 532). People build their social capital from their work environment and educational institutions, and they maintain and nurture these networks at the personal level by contacting former colleagues and developing personal relationships with interesting and useful people they have met via work (Butler & Purchase 2008, 532). The social capital possess a cognitive dimension that includes shared language codes and a shared vision (Nahapiet and Ghoshal 1998, Butler & Purchase 2008, 532); this helps the use of previous connections and experience gained when people deal with other professionals and business leaders who have similar interest areas. The relational dimension of the social capital induces commitments to behave in a reciprocal way (Nahapiet and Ghoshal 1998) and to provide assistance and advice for other network members (Butler & Purchase 2008, 535). Social capital including close relationships with powerful network actors can form a critical foundation for possible business opportunities (Theingi et al. 2008, 527). For example, in Ruokolainen and Mäkelä's (2007) case study an entrepreneur's social capital assisted a startup company in entering a market. This was done with the aid of reference that came via the company of an old friend of the entrepreneur's, and thus the friend's relationship to the industry facilitated their market entry.

Uzzi (1997, 48) also helps build our understanding of the social aspect of "thirds" by discussing "go-between", who possess an embedded tie to two unconnected actors. The go-between performs two functions; he or she cuts through the expectations of behaviour due to the existing embedded relationships to the newly matched firms and "calls on" the reciprocity owed him or her by one exchange partner and transfers it to the other. In essence, the go-between transfers the expectations and opportunities of an existing embedded social structure to a newly formed one, furnishing a basis for trust and subsequent commitments to be offered and discharged. Later he writes about "superconnectors" that deliver three unique advantages through social networks; they provide access to private information, diverse skill sets and power (Uzzi and Dunlap 2005).

In addition to this reviewed network and other literature, also **the word-of-mouth related literature** indirectly concerns third actor phenomenon and exposes the communication side of the phenomenon. This literature mostly comes from b-to-c fields and stresses persons but is applied to b-to-b settings in this research. The thirds can be linked to concepts such as opinion leaders and word-of-mouth sources, of which this literature stream possesses more knowledge. There are various labels for "reference persons" who serve as information sources such as market mavens, opinion leaders and innovators (Feick and Price 1987, Walsh et al. 2004, 110).

Opinion leaders (originally Lazarsfeld et al. 1948) are defined as individuals who are knowledgeable about a product category and who are frequently able to influence others’ attitudes or behaviour (Yale & Gilly 1995, 225). Opinion leaders have a high status as they are socially integrated and possess a strategic location and also have contacts within and outside the groups. They also have long experience and competence within certain topic areas and are more exposed to specialist and relevant media. One discussion concerns whether opinion leadership is a general phenomenon or a specific phenomenon. For example, Katz and Lazarsfeld suggested that each topic area has its own leaders (Turnbull and Meenaghan 1980, 18–19). The innovator means a person who adopts a new product or idea prior to others and therefore becomes both a visual and oral source of information regarding the product (Yale & Gilly 1995, 226). Market mavens (originally Feick & Price 1987) are individuals with general knowledge about products, stores and other market place information. Contrary to the traditional opinion leaders, market mavens possess a large amount of general knowledge about a marketplace. This information spans product categories and means the maven is not an expert source for product-category-specific information. Market mavens are willing to provide general information and enjoy sharing their knowledge with others. Market mavens also seek information continuously (Yale & Gilly 1995, 226, Walsh et al. 2004, 109, Money 2000, Mason 2008, 213). Market mavens can also support both the marketer in terms of their more effective dissemination of information and they can further support the customer by filtering the most important information from the plethora of available market information (Walsh et al. 2004, 112).

The earlier research concerning word-of-mouth in b-to-b markets acknowledges that business “insiders” and professional acquaintances, such as technical representatives, other organisational buyers, technical experts and experts in related industries, serve as information sources and influence decision making (Money 2000, 323, Henthorne et al. 1993, Peck et al. 1999, 222–234, Herriot 1992, 4–6, Bristor 1993, 68, Waller and Polonsky 1998, 85, Rinallo et al. 2007). Similarly, Payne, Ballantyne and Christopher (2004, 858, 861), who write in the relationship marketing literature, identify “referral markets” as one of six market domains. Referral markets consist of customer and non-customer referral sources and advocates from related industries.

The **decision making literature** suggests that “third actors” can occasionally be involved in decision making due to their expert position. Saxton (1995) analyzes the roles of third parties in the decision making progress, but he focuses on formally contracted external consultants, such as consultant, lawyers and bankers who are paid and excludes informal contacts, such as friends and acquaintances. Third parties with an objective perspective may contribute by reframing problems and opportunities and by suggesting novel solutions (Saxton 1995, 54) and these are useful also in analyzing external third parties who operate without monetary incentives. As critical outsiders, third parties provide independent and unbiased judgment, bring new ideas and fresh approaches and they are able to diagnose problems and evaluate solutions and perform tasks with skills that are only infrequently needed. Saxton distinguishes three roles: The *expert* possesses a specific knowledge of a content area, such as an industry or function. The expert possess information that other firms are not able to tap into and also has valuable insights into the problems faced by other firms in the same type of industry and this insight or knowledge may be transferable to the client. The *provocateur* has an important role in the early stages of the decision making process since it contributes problem identification and develops solutions. The provocateur’s role is to help identify critical information needs and to provide insights into a process in order to look at its problems in new ways and to challenge existing ideas. The *legitimizer* role is a combination of these two and it focuses on the latter decision making phases by clarifying cause and adding additional information that creates credence and confidence in a course of action (Saxton 1995, 50–51). The third actors can be linked to various decision making tasks, which are recognition, diagnosis, search and screen, development, designs, selection, judgment, evaluation, choice, bargaining, analysis (Saxton 1995, 53, tasks originally by Mintzberg).

Moreover, the **knowledge management literature** also brings in some aspects of thirds and their roles. In extremely fragmented knowledge societies it is important to integrate fragmented knowledge; therefore informal networks between persons are particularly important in knowledge integration and management (e.g., Granovetter 1985, Awazu 2004, 63–65). Awazu (2004) summarizes some types and their distinctive features and roles: Central collectors are acknowledged as having superior knowledge identification capabilities as they can identify what knowledge seekers are looking for and the people who can provide such knowledge. They search for and match agents who understand what a knowledge seeker may imply but cannot state directly, and therefore they help knowledge seekers to save time by providing short cuts; by either connecting them with people who can provide such knowledge or by pointing them in the right direction. Boundary spanners connect local networks to other networks since they have a variety of knowledge that helps them to communicate with other networks. They are not tied to their functional expertise and local environments and therefore they can innovatively identify and connect new opportunities. Bridges connect people who do not share common backgrounds, skills and experiences and they act as “translators” who comprehend knowledge in disparate contexts. They help parties to understand each other’s point of view. Experts have focused knowledge and concentrated experience about certain types of products, subjects and processes. They can make connections between past events and current events and thus they save the money and time of information seekers with their skills of analysis and expertise.

Some situations, industries and contexts emphasize the relevance of external actors. The **service marketing literature** highlights customers and other service providers as important contributors, who can provide introductions and referrals to potential clients, create positive word-of-mouth, and provide industry specific knowledge to serve industry niches (Feldmann Barr et al. 2003, Lapierre 1997, Day & Barksdale 2003, Mitchell 1998a). In initiation, the special features of professional services challenge the buyer in the making of their evaluation and the seller in selling and presentation, and therefore third actors presumably have an important role in the buying and marketing of services in initiation situations.

Also **the literature concerning internationalization and market expansions** highlights the role of particular persons, especially when a seller is entering a new market. The type of important person here has personal ties that bridge or link people in separate social clusters and, as a result, a new foreign market opportunity can be identified or a foreign exchange facilitated (Su et al. 2009, Mainela 2007, Ellis 2000, Wong & Ellis 2002). Some cultures and markets actually require the contribution of such trusted third actors: in some cultural contexts, acquired relations and information embedded in social relations serve as the initial basis for forming business relationships (Su et al. 2009, 675, Ellis 2000, Wong and Ellis 2002). These kinds of informal social network are called e.g. “guanxi” in China or “blat” in Russia, and are built by individuals from their personal and business networks in order to access information, obtain favours and develop trust (Salmi 2006, Su et al. 2009, 676, Butler & Purchase 2008, 532, Theingi et al. 2008, 523–524). Not only culture, but also environmental factors of markets, such as legislation, can explain the role of thirds. Butler & Purchase (2008, 536) found that in insecure environments where legislation is not yet established, such as in Russia, commitment, trust and reliability embedded in personal relations create stability, and business people choose their business partners from among those who they feel they can trust. Thus, thirds are assumed to have a role in market entries and their contribution is important, particularly in situations where actors aim to build ties with different cultures but reduce risk, and when trust has not yet been developed.

5.1.2 Labels, types and tasks of thirds

To highlight the ideas about the third actor phenomenon within the literature review above, the labels, types and tasks of thirds are summarized. Evidently, there is existing knowledge about “the third actor” phenomenon scattered throughout various literatures. The phenomenon is labelled in the existing literature with many different terms which portray the functions and tasks of “thirds” as well. For example, different network literature streams see third actors as *mediators, connectors and bridges*. The word-of-mouth literature and buying literature see third actors as *external information sources* that both share information and affect decision making since they control or facilitate the flow of information as gatekeepers or advocates (e.g., Webster and Wind 1972, 17, Dawes et al. 2000a, 380, Bristor 1993, 72), and this can be applied to external sources as well.

The literature suggests that the *type* of the third actor can be a person or an organisation. However, the findings of this study regarding the external actor in reference communication (see section 4.4.2) suggest more categories for thirds. Business relationships are socially embedded (Granovetter 1985, Uzzi 1997, Gulati 1995, Halinen & Törnroos 1998), which explains the important role of people as thirds. When the promoting third is a person, personal contacts, such as friendship, are important (Money 2000, Wong & Ellis 2002). However, relationships of other kinds may be influential, since network ties link actors in multiple ways, such as business partners, friends, agents, mentors on the basis of personal history, family, education and earlier tasks in various firms and organizations (Halinen and Salmi 2001, Ellis 2000, Mainela 2007, Butler & Purchase 2008). At the organizational level, thirds may be various stakeholder organizations such as complementary suppliers or customer organizations. The reference literature and Actor-Network-Theory (e.g. Law 1991) leads to the notion that a reference case or work can act as a material third. The relationship between the third and the initiating party can be based on economic or non-economic exchange. Mattsson (1985) identified two types of relationships: vertical relationships illustrate the exchange relationship between a seller and its “customer relationships” and horizontal relationships illustrate “industry relationships” between a firm and other firms in the same industry (Eriksson et al. 1999, 363), and both these dimensions are assumed to be linked to third actor types.

The status of a third actor originates from its external position, expert knowledge, experience and the established relations that provide the contribution to an initiation. The need for the contribution of the third actor especially occurs when actors aiming to initiate lack connections and information about each other or about diverse aspects of initiation. Therefore, the third actor holds *two main functions*. The buying literature and word-of-mouth literature stress the information related tasks, and the network literature and selling literature stress relation sharing tasks. Thus, firstly, the third actor connects unconnected actors and mediates contacts: third actors may introduce potential parties to each other, or otherwise connect actors who are not yet directly connected. Thereby, a third actor – who is an internal and established actor in a network and possesses direct relationships – can provide access to a larger network. Secondly, the third actor shares information that is necessary for a relationship to initiate and facilitates decision making and sense making during the initiation process. Third actors have already achieved experiences on one or another party of the emerging dyad. Because dyadic parties do not yet have a common past, an experienced or networked “third actor” can complete an inexperienced and unconnected buyer’s minor experiences by sharing its experiential information as some existing literature suggests (e.g., Andersen & Sørensen 1999, Johnston & Lewin 1996, File et al. 1992, Henthorne et al. 1993, Dawes et al. 2000b, Wheiler 1987, Johnson et al. 1998) and as the findings on experiential reference information in section 4.4 show. In particular, a decision requiring a unique expertise transferable across industries is assumed to benefit from the contribution of a third party expert (Saxton 1995, 53). As markets become saturated with information and offerings, it is increasingly difficult to know and process all alternatives and in this situation, competent advisors easily provide information (Walsh et al. 2004, 110).

Various other tasks can be derived from these two main tasks such as access creation, trust creation, support in evaluation and decision making. In small scale business or sensitive business the third actor may perform also marketing tasks, since professional service agencies do not possess the required marketing resources and their marketing culture completely do not allow active push-marketing (see Smizin 1993, Feldman Barr & McNeilly 2003).

In summary, some core features of the third actor’s status and contribution in the initiation can be pieced together:

- the third actor has previous experience about one party/parties or the offering, and a direct relationship with one party/parties
- the third actor is credible because of its external position and potential expert status
- experience, information and relations are based on previous transactions, but have relevance for future business
- the third actor shares its information and relations with others through communication and the mediating of contacts (two main roles)

5.1.3 Research questions on third actors

As the literature review shows, the idea of external third actors can be seen within the buying, selling, relationship development and network literatures. Even though the importance of “third actors” seems to be common knowledge among diverse research streams to some extent, knowledge of their contribution to business relationship initiation is scattered widely across various literatures and they have not been the focus of a comprehensive empirical research.

Therefore the aim of this chapter is to analyze the contribution of third actors in the initiation of business relationships. This chapter aims to emphasize the network aspect and network effects (e.g., Ritter 2000, Walter et al. 2001, Anderson et al. 1994) that originate from thirds' contribution but the theme employs also other relevant aspects. The following empirical section with theoretical reflections aims to fulfil the research gap by enriching conceptual descriptions related to the types of third actors, their activity and motivation and finally, the roles that third actors perform in the initiation of business relationships.

The research questions of this chapter are: *What kinds of third actors contribute to initiations and how do they contribute?*

The sub-questions are the following:

- Who are the third actors?
- What motivates them?
- How active are they in an initiation?
- What are their roles in initiations?

5.2 Empirical findings on third actors

Different kinds of literature streams acknowledge that diverse third actors may facilitate the initiation of new relationships between dyadic parties through diverse functions. The empirical study conducted provides a further understanding of third actor contribution by concentrating on their types and ways to contribute to initiations. In the next sections, these issues are analyzed.

Due to the abductive strategy, the sections utilize the previous theoretical understanding in a variety of ways. In some sections the existing theoretical knowledge has already been discussed and therefore the empirical findings are discussed directly (see section 5.3.1. concerning actor types), but in some sections new theoretical points are provided to give a more focused understanding on the issues under investigation (e.g. section 5.3.2 concerning third actors' motivations).

The analysis is structured as follows. First the third actor types and their network positions are analyzed to provide specific categorizations for the third actor embodiments. Then their activity and motivations as well their roles in the initiation processes are investigated in detail. The categories that emerge are illustrated with numerous citations from the research data.

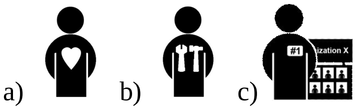
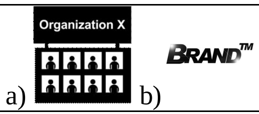
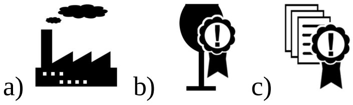
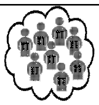
5.2.1 Categories of third actors

In order to develop categories for third actors, the analysis starts from seeking answer for the question what kind of third actors contribute to relationship initiations. First, the types of third actors are analyzed by piecing together the kind of embodiments the third actor can take. Then the network positions of third actors are analyzed to outline the thirds' characters more precisely.

5.2.1.1 Third actor types

As a starting point, the reviewed literature indicates two types of thirds; the third actor can be an organization, on the basis of economic exchange; or a person, on the basis of social embeddedness. However, the findings described in section 4.4.2 indicated that there were even more categories for thirds. For example, previous work and an artefact can be considered to be a third actor. Thus the main categories for thirds are person, organization, an artifact or community. The third actor types identified are presented in Table 10.

Table 10 Third actor types

Type	***Embodiments of thirds***	***Illustration***
Person	a) Acquaintance, a friend b) Person on behalf an industry/profession c) Person on position in an organization	
Organization	a) Organization b) Brand	
Artefact	c) A realized work, e.g., reference site a) A realized work, e.g., an artefact b) Award for a work	
A collective of thirds	Community	

In the following, this categorization is widened and deepened, and main and subcategories of thirds are emphasized.

Data indicated that when the promoting third was a **person**, it could be a business acquaintance, a friend or an expert peer.

There is the Federation of [national] Entrepreneurs, and there is the Federation of West-Coast Entrepreneurs and every town has 'Entrepreneurs'. It *can be one of the entrepreneur friends from there [who recommends]. One can be a building contractor and the other can have a software business.*

In contrast to earlier results by Wong and Ellis (2002) or Money (2000) friends or relatives seldom feature in the promoting role in the data. Instead, the data indicate that social and expert relations were mixed. In fact, it was not just a friend who shared information, but a friend and an expert on a certain industry or profession. According to Nebus (2006, 618), there are two main contact pools that have opposite poles in the trade-off: experts with valuable knowledge and social contacts with easy access. The data strongly indicated that individual thirds were typically trusted friends with expertise, since they were accessible and competent at the same time.

In the literature, personal contacts and social relations are usually defined as "social", but the essence of social relations can vary widely. In Wong and Ellis's (2002) empirical study, the social ties of intermediary persons creating the foundations for a new business relationship were based on a relative's relationship, friendship, a business acquaintance, a classmate's relationship, and a former workmate's relationship.

Data indicated that relations to third actors had some kind of professional or organisational dimension. Thus the "meso-level" between personal and organisational levels seems important: a **person as a representative of an industry or a profession** was often identified as a contributive third. Both personal and professional links constitute the actor's position and status (Andersen 2006). According to data, the promoting person possesses the specific knowledge and relations of a certain industry or profession. They serve as mediators in initiations since they can diagnose the situation and match parties together on the basis of their industry specific knowledge and relations:

Designer colleagues in particular have plenty of good customers and they are appreciated in these enterprises. I have clearly gained two or three new customers through these designer acquaintances. In fact, there are even more, but not all the assignments have been realized yet.

This gets indirect support from the earlier research noting that business "insiders" (Money 2000) and professional acquaintances, such as technical representatives, other organisational buyers, technical experts and experts of related industries (Henthorne et al. 1993) can be sources of referrals and information.

Also a **person on behalf of an organisation** can be the third that links initiating parties together or builds trust. In these situations, the certain person in the appreciated organization was the key third person, as this example from advertising describes:

Let me mention another dimension. If the customer organization has very appreciated and capable marketing and managing directors, their personal trust in our agency can work as a reference.

In such situation, the person was appreciated because of his experience and status in a certain organisation. When informants discussed aspects related to this category, they often mentioned both the names of the persons and the names of the organisations where these persons worked, as in the following:

I counted on that company A knows because this N.N. was involved there. N. [first name] said that the engineering company E was able to handle it. They even gave the name of the consultant, who designed their previous projects.

Some third persons are especially useful because of their wide relationships and stable social capital. For example, the CEO of an advertising agency mentioned that it is worthwhile to know persons who know many people in related industries, such as in the media, media agencies and printing houses. These kinds of personal thirds are superconnectors (Uzzi and Dunlap 2005) who share their private information and diverse contacts; they are not in positions of formal authority but may extend an important influence on business relationships through their broad relations.

The second main category of thirds was **an organization**. In this category, for example, the customer organisation could be the actor that eased access for the seller. For example, a translation agency received an assignment from an advertising agency because the buyer noted that the name of the reference customer organization was convincing:

They had made translations for Company B [global electronics co] and everything!

The data indicated that organisational thirds were not only reference customers but also other organisations, such as partners. If the third actor was a known organisation, the image and trust related to this third was transferred to one party of the potential dyad. In addition, professional societies, government auditors and neutral official organizations may legitimate an organization’s performance (see Rao 1994, 31, 39). For example, a translation agency that was a new actor in the local market, managed to enter the markets with the assistance of a known organization, as its customer formulated it:

I knew that the [local] Area Development Centre had supported them when they were entering the town, and therefore I knew that the agency was quite decent.

Also **a brand** can be an organizational third**.** In this case, the brand name is used at a more symbolic level. If an organization with an appreciated brand has co-operated with the seller party, this may confirm that the seller is a well performing partner. The data provide several notions of this:

The customer thinks that because I have worked with those and those customers I have an advantage, so I am accepted to work for certain kind of brands.

Of course the brand value of the client is large: even though I wouldn’t show a thing I’ve actually made for them, only the brand of the client has a meaning.

Sometimes, the person or the organisation itself is not the key issue; instead, the point is the **realised work for the customer**. In that case, the works as **artefacts** are considered as thirds that contribute to the creation of a relationship between the seller and the buyer. The role of previous works is emphasized in the reference literature, where references are considered proofs of the supplier's capability (Salminen & Möller 2006).

Artefactual thirds occurred numerous times in the data: for example, a designer acquired new customers in Japan because of the globally famous glass lamps and watches he had designed. The data indicate that in some industries, such as engineering, design and advertising, the actual work of the customer can be even more crucial than the customer for who the work is done. For example, a designed factory as a reference site that is referenced in conjunction with operational figures proves the functionality of a factory proposed by an engineering agency.

The relevance of artefactual thirds founds plenty indirect support from the literature; Golfetto (2003, 8) regards physical products and solutions as incorporating the supplier's resources and competence as they represent "solid competence" and significant examples of expertise and capabilities. Also Zott and Nguyen Huy (2007, 72) note that objects display intrinsic dimensions, which refers to the objective function, and a symbolic dimension, which refers to evoked meanings about a company's credibility and organizational achievements. "Real" symbols are important, especially in service marketing where complex services are normally difficult to understand or to make decisions on, so the physical elements substitute for the intangibility deficiencies of services (Thrassou and Vrontis 2006, 188).

Awards won were one type of artefactual thirds: they were mentioned especially in the advertising and design industries. An award can be considered the tangible embodiment of industry recognition (Waller et al. 2001) and a legitimation tool (Rao 1994, 32), while an industry award – as a symbol of organizational achievement – can enhance consequential legitimacy, especially in highly ambiguous settings (Zott and Nguyen Huy 2007, 99). For example, new companies might need to utilize awards won for technological development, if they are not able to present long track records of traditional performance measures (Zott and Nguyen Huy 2007, 91).

Thus, diverse realized works and cases as well objects symbolizing the quality of performance and acquired relationships can be considered as artefactual thirds. These kinds of third actors legitimize, create credibility and can contribute to an initiation from the seller party's or the customer party's perspective.

The fourth category for thirds is **community;** sometimes there is a blurred group of thirds that form collectives of thirds. These groups are mostly informal expert communities being "financial managers", "design people", "marketing people", and "industry engineers". As an informal group, a community of thirds can facilitate an information search and link initiating parties together. For example, financial managers in large companies asked for each other's experiences about banks:

Finance managers in large companies talk about their experiences with each other when they are planning to buy special services. They do not seek information only from banks – they also ask people who have been in a similar position regarding how it works and whether a client has any relevant experience.

These kinds of "third communities" can be linked to social capital; their contribution to initiation often requires a membership in the group. A community as a whole is able to enhance initiations by providing positive opinions, expert evaluations or by facilitating initiations either inside a group or between the outside actors who are considered actors with an excellent performance record by the actors inside the group.

5.2.1.2 Network positions of third actors

Mattsson (1985) identified vertical "customer relationships" and horizontal "industry relationships". Both relationship types were found by the research data; third actors' experience, information and relations originated from actors, which were horizontally or vertically connected.

Vertical thirds were customers and customer's customers within a value chain. In the existing literature, **satisfied existing and previous customers** are often examined as promoting third parties (e.g., Salminen & Möller 2006, Feldman Barr & McNeilly 2003**).** The data also revealed that customers are an important category for promoting third actors, but that non-customer actors are also an important type of third actor:

Our referees are mostly previous customers and co-operation partners. We have received calls which indicate that the architect from the previous project has recommended us for new projects. Therefore construction firms are good for our business.

This categorization gets support also from Payne et al. (2005) who found that the referral market consists of customers and non-customers. Sometimes, referrals flew among the **actors in a value chain** and thus, e.g. **a customer's customer** could promote a service as a third actor:

The new customer had heard from their subcontractor, that they use us as their translation agency. It was very simple after that, and they sent their files to us to be translated.

In this study several non-customer promoters were identified: these **horizontal thirds** were complementaries, colleagues and competitors. The main type of non-customer promoters were **the providers of complementary services and providers of related professional services or other related services or products.** The providers of complementaries were able to contribute to initiations because they have industry specific information that enhanced the initiation processes.

The photographer has been asked who would be a good, appropriate and creative agency for this assignment. The photographer works with tens of agencies. He says, 'Yes, maybe you should contact this agency because it might be the best agency for you.' Some customers have come because printing houses have recommended us.

Also, this category gets support from the literature: referrals and word-of-mouth can flow between related industries and related professional services (Feldman Barr & McNeilly 2003, Henthorne et al. 1993, Herriot 1992, Money 2000, Payne et al. 2005, Wheiler 1987).

It was also found that providers of complementaries could take advantage of a new emerging business relationship. For example, for a business bank the most important horizontal thirds were accounting agencies, auditing agencies, law agencies, and national and local entrepreneurship associations. This was because customers usually needed several services and thus the networked service providers could refer to each other. Such reciprocal referrals of related industries are also mentioned by Payne et al. (2005).

The **competitors or providers of the same service** were identified as contributive horizontal thirds, too, especially in creative professional services such as industrial design. The previous literature also supports this finding *(*Feldman Barr & McNeilly 2003, Helfert & Vith 1999, Peck et al. 1999). Competitors often have specialized information about the focal industry and they can provide information on the usual needs, solutions and performance of providers and contacts despite their rivalry, as a designer illustrates:

Sometimes our competing colleagues recommend us, since they cannot accept the assignment if they already are working with the customer's competitor. In those cases it is normal to recommend a competitor, because designers set great store by the utilization of the design in general. If you do not have time or you cannot accept the assignment, it is good to see that someone is designing the product. It is important to achieve the respect of other designers.

That quote from the design agency also reveals that it is important to gain the appreciation of competitors and complementaries because they are part of a collegial expert community within the focal industry. And because colleagues in competing and complementary organizations are experts within the focal industry, they are able to provide accurate and valid information and relevant contacts, and thereby to advance initiation possibilities.

Recent findings by Butler & Purchase (2008, 536) show that previous work experience and studying together leads to specific skills, knowledge and horizontal social relations that business actors can utilize by keeping in contact with those who are at the same hierarchical level and who have worked in similar positions. These horizontal connections offer access both to resources and to information that can improve their current situation. Because horizontally linked people belong in the same situation and social group, they are committed to giving favours to others by providing advice, assistance and sensitive information, which might be fundamental in initiations.

Also some **non-profit agencies** and associations were mentioned as thirds that could be either vertically or horizontally linked to the initiating parties. For example educational organizations, industry associations and NGOs (non-governmental organizations) (see Helfert and Vith 1999, Rao 1994) can be non-profit thirds that are able to facilitate initiations. In the data, the Technological Development Centre, diverse associations and universities were mentioned by name.

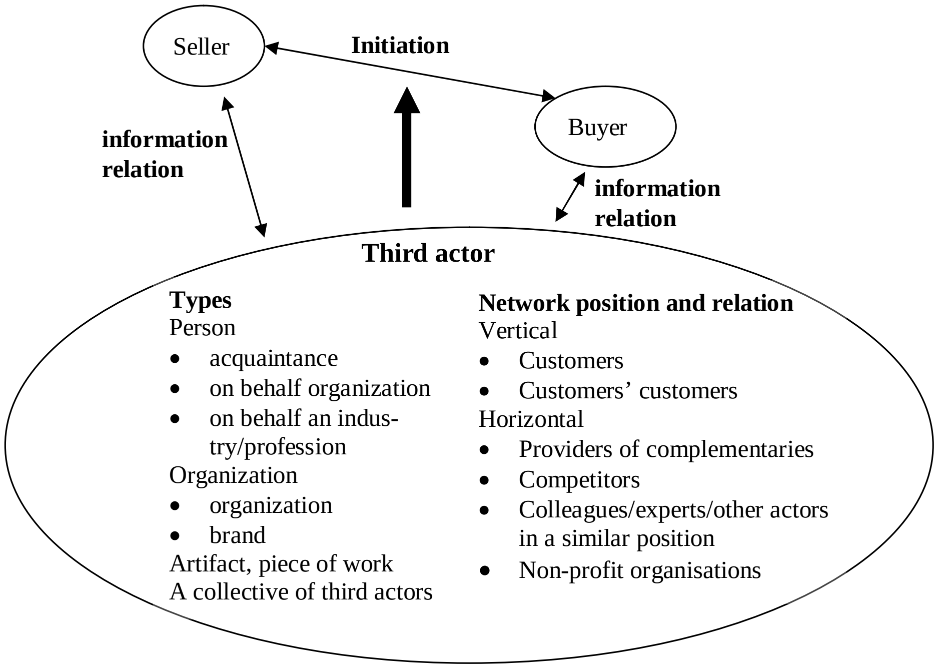

Seller
Initiation
Buyer
information relation
information relation
Third actor
Types
Person
• acquaintance
• on behalf organization
• on behalf an industry/profession
Organization
• organization
• brand
Artifact, piece of work
A collective of third actors
Network position and relation
Vertical
• Customers
• Customers' customers
Horizontal
• Providers of complementaries
• Competitors
• Colleagues/experts/other actors in a similar position
• Non-profit organisations

Figure 24 Categories for types of thirds

To summarize findings concerning third actor categories, the main types of third actors and their network positions are depicted in Figure 24. Nevertheless, it is important to notice that the respondents often reported that several types of thirds were involved during various initiation phases and that they played different kinds of roles in the initiation. Thus an initiation may include contributive inputs by several types of thirds and each type can play a specific role throughout the initiation. Therefore these roles are explored further in section 5.2.3.

5.2.2 Activity modes and the motivations of third actors

When a third actor is involved in a relationship initiation, some kind of action and motivation exists. The third actor introduces people, recommends or acts as a reference, and this can be enacted for various reasons and with various degrees of intensity. Therefore, the following section investigates how actively third actors contribute i.e. what is their activity mode, and what motivates them (see motivation and activity modes in Figure 25).

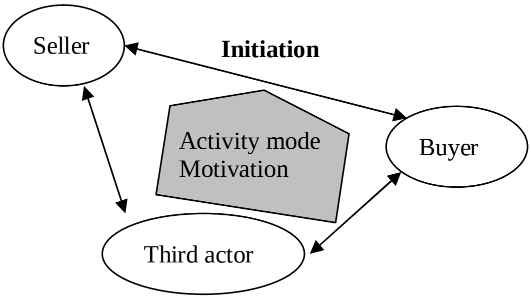


Figure 25 The activity and the motivation for third actor contribution

5.2.2.1 Activity mode

The previous literature gives hints on some of the activity modes of third actors. Helfert and Vith (1999, 554) suggest that a customer can contribute actively to the market access of a supplier company by providing leads for its network partners, or it may let itself be used in a more passive way. Furthermore, market mavens can initiate discussions about marketplace information as well as respond to requests for such information (Walsh et al. 2004, 109). It may be assumed, that these modes of activity concern all types of third actors, not only the customer-type of third actors. Thus, a third may actively promote a relationship initiation, or it may let an initiating party use its name, and thus it is involved in initiation only passively.

In the empirical data, the four activity modes of a third became visible and are termed: Active, reactive, passive and inactive. These activity modes are highlighted next. The following line from a translation agency CEO illustrates some of the variation in activity modes concerning reference cases.

Some clients say that their names can be mentioned according to 'the way that firm uses these services'. But then we have some large corporations, who simply think that their name cannot be used for advertising purposes.

In the **active** mode**,** the third actively promotes the seller or spontaneously facilitates the buyer's initiation processes. When the third is active, it introduces parties, refers and recommends, and gives testimonials on its own initiative. For example, a communication agency spontaneously wanted to help a new translation agency that was a new actor in the market, and therefore actively recommended it to several organizations. In another initiation story, an architect actively recommended a new landscaping agency:

There at the design trade show he introduced us to some new people. And they presented our work to their clients, saying that 'our girls have drawn up this plan'.

In the **reactive** mode, the third reacts on the buyer's or the seller's request to contribute to the initiation process. In such situations, the buyers ask for advice about buying problems related to the initiation process when they seek a compatible supplier or a good offering. Or equally, the seller party asks for advice about whom to contact in order to make offerings. Sometimes the buyer or the seller does not only ask for advice but it asks if third actors can introduce them to a prospective opposite party.

In the **passive** activity mode, the third allows the use of their name in marketing and this is a typical arrangement in references. This passive activity mode can be seen as positive passiveness; the third actor is willing to contribute to further initiations but it does not facilitate actively, although it allows, for example, the use of its name.

When we made contract with Company C [global electronics co, there was a clause that implies that I am allowed to use their name and they are allowed to use my name in marketing. Utilizing names is accepted, but everything else is very confidential and classified. So, I asked afterwards when I updated my web pages, whether I can put their name on my web pages, and they said that 'of course' and they 'are honoured' if I do so.

In the empirical data there were numerous cases, where the information or relations of the third could not be used by either the seller or the buyer. In these cases, there are thirds whose information and relations could be in use, however these thirds do not contribute even passively, instead they remain totally **inactive**. Thirds in these cases are **hidden**: *In banking, references are extremely classified. We are not allowed to tell who our clients are.* Sometimes the third is

silent: *The Employment and Economic Development Centre is a neutral organization. They are not allowed to refer anybody to anyone.*

This kind of inactive action can be considered negative passiveness. In the literature parallel notions of silence are made: Helfert and Vith (1999) maintain that some customers are very reluctant to share information about their partners with their supplier and Salminen (1997) states that some references are classified. To provide an example on this within this study, the designer illustrates the difficulties of involving inactive thirds in initiation:

It's a real bummer that a lot of this stuff can't be shown around. I have a few projects with BigN which I can't show anywhere, I shouldn't even talk about them. It feels silly sometimes. They are sometimes too precise about it. Everyone knows what they make. It can't be that confidential. Buttons and so on.

The inactiveness or secrecy can also be the result of the distrust perceived by the third. The following citation describes how reference customers are especially afraid of competition and therefore they do not allow the use of their names:

We can also have an agreement with a client about not showing things in references. A client can consider it to be key technology and be afraid that through us it gets out and someone else comes and asks us to design a similar product line or something. This happens especially when a new competitor comes into the same country. That creates a kind of jealousy. In this kind of situation the old reference customer doesn't want us to say a word about their project – under any circumstances.

Sometimes thirds are only partly inactive and exploitable. This was for instance the case when a landscape consulting agency was allowed to present the façade and the location of reference works (artefactual thirds), but using the names of famous customers (third persons and organizations) was not allowed. In these situations, thirds are partly inactive, partly passive. The following quote from a translation agency illustrates this aspect, too:

This reference case is anonymous, because this firm doesn't want to publish it, but I have asked, 'could someone call them privately'. In that way they are open and available.

Furthermore, the data indicate that some non-profit organisations were typically inactive thirds – or more "quietly" active if involved.

The Center for ED is a neutral retailer. They are not really able to recommend us. They are only allowed to give out a list of design offices. However, in real life, they may say look at these and these and these. These three are the ones you should choose from.

Even if this kind of neutral organization possesses relevant information and could provide a good evaluation and matching statements for information seekers, they might not contribute to the initiation. For example, in one of the initiation cases described in chapter 6, the project manager in a large saw mill tried to find a wood specialised industrial design agency and asked for referrals from several non-profit organisations specialised in design and wood but the organisations were not allowed or willing to give information on matching partners because of their non-profit status.

This kind of negative inactive passiveness is a challenge for marketers and buyers, since these thirds possess relevant information and connections that cannot be employed.

5.2.2.2 The motives

It can be asked why third actors promote another’s business by sharing their information and relations. Actors invest their own reputation and acquired relationships when acting such a way (see Johnson et al. 1998), so they need to have a strong motivation to do so. The previous literature has discussed how reward systems can sometimes motivate actors to spread word-of-mouth (Ryu & Feick 2007). However, there are also other reasons than direct monetary rewards to act in this way. Some non-monetary motivation factors can be identified within various literature streams: for example, reciprocity is seen as one motivation factor, for example, for spreading positive word-of-mouth (Payne et al. 2005, Wheiler 1987). Also social control stimulates actors to share their experiences on the good or bad performance of other actors because, by spreading reputation, they can control the business environment (see Nunlee 2005). As the potential motivation factors have not been discussed within earlier literature reviews, the literature concerning the motives for third actors’ contribution is briefly reviewed next.

Some ideas for motivation factors can be found from the existing word-of-mouth literature within b-to-c markets. Satisfaction and the desire to share with others the benefits enjoyed have been seen as a motivation factor (originally Dichter 1966, Luo & Homburg 2007). The motivation for spreading word-of-mouth can also originate from a duty to advise, product involvement, self-involvement and self-confirmation. People who spread word-of-mouth gain attention by having knowledge and assert their superiority over their listeners, or they are involved in providing knowledge regarding a particular topic they enjoy advising on, or they want to reward the service provider, or they are happy about the product, or are confirming their own choice, or they want to help the recipient of the advice (to help others with their buying decision and to save them from negative experiences) (Goodey & East 2008, Walsh et al. 2004). Feeling competence and the seeking of the enhancement of their own personal reputation (Hars & Ou 2001, Wasko & Faraj 2005) can also stimulate actions. Wasko & Faraj

(2005) found that advice and information sharing can occur without expectations of reciprocity from others, because in network based interactions, knowledge sharing may be more generalized than dyadic, and thus direct reciprocity is not necessary for sustaining collective action. Instead, the reciprocity is more generalized in the network. Reciprocity can also be linked to the use and renewal of social capital (e.g., Nahapiet & Ghoshal 1998, Butler & Purchase 2008). In horizontal relationships particularly, people who belong to the same situation and social group, are committed to giving favours to each other and provide advice, assistance and information (Butler & Purchase 2008).

Motivation psychology and social psychology theories can provide more understanding about such motives. The goal-setting theory models individuals as desiring to have goals, choosing goals, and being motivated to reach their goals (Weiner 1989). According to those theories, giving a referral could be considered a task, and the motivation could then be related to a person's aim to succeed in the given task. The cognitive dissonance theory assumes that individuals want consistency between their cognitions and their behaviour (Shaw & Costanzo 1982) and therefore they aim to reduce the tension by changing their cognition, so that it is consistent. For example, individuals are motivated to reduce post-decision cognitive dissonance by increasing positive cognitions about the chosen alternative or decreasing their positive cognitions about the rejected alternatives in order to strengthen the alternative chosen, rather than the rejected alternatives. Social psychology theories are concerned with how individuals' minds and behaviour are influenced by other people (Taylor, Peplay and Sears 2003, Shaw & Costanzo 1982). Role theory explains and predicts how people function in a social context. This theory assumes that individuals' behaviour is influenced by role expectations and norms that concern how individuals in a particular role are expected to behave (e.g. as a supervisor or a worker). Social identity theory suggests that individuals categorize their social world into in-groups and out-groups. The more an individual socially identifies with a group, the more the individual focuses on the group's outcomes instead of their own outcomes (Brewer 1979) and the more likely they contribute public good to the group and behave more co-operatively (Wit and Wilke 1992).

The various motivation factors can be driven from the scattered literature. In the following, the motives of third actors are investigated further by analyzing the data with a data driven strategy, although the previous guidance of the literature is kept in mind.

On the basis of data driven analysis, four kinds of motivation factors were identified (see Table 11). The data revealed that the motivation of thirds can be biased on the seller party, the buyer party or the third actor itself. The main identified motivation categories are the following: Firstly, the motivation to develop markets; keeping competition sharp, facilitating new entrances with new offerings. Secondly, relational motivation towards the seller party is important as this includes satisfaction, partnership, advocacy or goodwill. Thirdly, collective motivation towards the seller or the buyer party is included and it contains social control, reciprocity, social reward, mentoring, involvement in a common topic and liking. Fourthly, individual, self-interested motivation is necessary as this holds the notions of indirect monetary rewards, a halo effect and self-confirmation.

Table 11 The motivation factors of third actors to contribute

Identified motivation factors			
Motivation to develop markets: - keeping competition sharp - facilitating new entrances with new offerings.	Relational motivation towards the seller party: - satisfaction - advocacy - goodwill - partnership	Collective motivation towards seller or buyer party: - social control - reciprocality - social reward - mentoring - involvement on the common topic - liking - duty to help peers	Individual, self-interested motivation: - indirect monetary rewards - halo effect - self-confirmation

These identified categories are highlighted and deepened next and illustrated with empirical examples.

The first main motivation category addresses **developing markets**. Third actors are found to be stimulated by such motivations as **the need to keep competition sharp** and **facilitating new entrances** in order to discover new offerings. This motivation type was strongly related to situations in which new entrants were introduced to potential customers by third actors. Consequently, the new entrants acquired their first important customers, and were able to build and develop their customer base. In the following, a third actor describes why she referred a new translation agency to an advertising agency as an active third.

R was using quite a few translation agencies, which were over-employed. Many times the agencies had to tell them that they could not serve them within the required schedules. This new agency S has good references and a lot of resources, and because they entered the local market I thought that they ought to get their fair share and get to show what they can do. That was the idea when I decided to recommend S to R.

The second motivation factor addresses the **relational motivation towards the seller party**: Third actors often recommend when they are satisfied. This comes about because they feel they are in partnership with the firm they recommend and have goodwill towards the seller party. In the following, the promoter was motivated to recommend an engineering agency on the basis of his continual satisfaction with that agency:

There isn't a project of any kind, which would have gone terribly wrong. Sure, if something would go bad, things would be different.

Sometimes the motivation of thirds is based on collectiveness, and various reasons linked to **collective motivation** can be distinguished, such as social control and reward, reciprocity, mentoring, liking and involvement in a common issue.

Even if the previous literature sees reputation and word-of-mouth as control mechanisms, and this view especially stresses social controlling with negative tones, the findings of this study also see them as positive reward mechanisms. The narratives of the respondents stress the positive sides of the phenomenon. In one case a third wanted to improve the business of an actor that they themselves had found to be sound, smooth and decent in business and thus they wanted to socially reward them. For example, a third actor can appreciate a professional's expertise and thus they promote their excellent skills, as in the following:

If a client asks me, who's a good industrial designer, a good designer or who's up for making this product package or whatever, I can count on this network and honestly recommend them. They're really the top. That's the thing in recommending – if you recommend someone who's inferior, you lose your own reputation. That's kind of a key aspect here too.

Data indicated that belonging to a community of i.e. experts or entrepreneurs motivated thirds to promote the business of similar minded business actors, who shared the same values and visions. For example, according to the data, designers like to promote design and a design oriented architect wanted to promote a design oriented landscaping agency.

Reciprocity was one of the major motivation factors. Sometimes reciprocity was linked to favours between friends and acquaintances:

That recommendation was a favour in return. If you give today, you will be paid back tomorrow. Also, the person knows yet another person, and so on the cycle continues.

Sometimes the reciprocity occurred between related service providers within an industry. In the following extract from the data, a CEO from a business bank describes how law agencies, accountants and banks co-operate informally: these complementary horizontal actors form "referral networks" in which they can reciprocally promote each other's business and thus serve as active thirds to each other:

When you get to think about a contact network like this with the law firms and the account agencies and the account examination agencies, of course they are *consciously formed. We draw up a good working relationship with them, with the devious thought that their new clients would choose us as their bank. That's natural. It profits us. I think everyone else does it too. It's very common and it's a win-win situation without a doubt. Both of the parties must feel that way 'cause the initiative could come from either one of them. They get new clients this way too.*

However, there was no automatic referral trade-offs, no referral for referral mechanisms. Instead, referrals and references are earned when the criteria concerning good performance, offerings and compatibility are achieved. On other words, the motivation originated from appreciation:

I do not recommend whoever, instead it works precisely that way that I recommend only the ones I consider to be the best. If I recommend something or someone, who's not good, it's horrifying.

Also, liking and good chemistry between a third and their reference/referred was a basic motivation criteria, although there can be other motivating factors. In the following, the liking between the promoter third and the promoted actor was linked to industry involvement and shared visions:

Personal chemistry counts. I consider this architect to be a great guy and so on. I believe that it runs both ways, that both of us feel that we're alike and it's marvellous to do these kinds of projects.

The data also suggest that the mentoring role inspired thirds to facilitate initiations. For example, more experienced actors identified themselves with some less experienced actors and because their position in the networked business was already established, they wanted to support the business of certain new entrants. For example, seniors promoted similar juniors and senior experts in a particular field acted as mentors for less experienced experts. The mentoring was not usually based on reciprocity, and mentor-promoters didn't expect reciprocal favours from juniors. In the following citation, the CEO of an advertising agency describes how he was motivated to support a designer's negotiations concerning initiations, since he believed that the designer was good at design, but poor in marketing. The CEO himself, however, was used to negotiating and marketing, and consequently, he wanted to follow a mentor role:

L. is an extremely skilful industrial designer, but he's not a sales person or a negotiator. He doesn't necessarily know how to show his expertise very well. So we – me and our creative director – were with him in almost every business meeting that he went to in the beginning. L. is an extremely nervous person, who almost can't hold a coffee cup. Then again, because I have negotiated for years and years with all kinds of marketing managers, it seems simple to me.

Sometimes the motivation emerged from the duty or joy found in assisting less experienced actors in problem solving. Sometimes a question and advice-seeking behaviour from a buyer party triggered an opportunity to show off one's own expertise and therefore the third reactively guided the advice-seeker who sought information on suitable offerings and potential service providers. The data showed photographers, engineers, designers, CEOs of banks etc. often felt a duty to assist a "peer" in problem solving situation related to relationship initiation.

The fourth main category emphasizes the motivation factors that emerge from **self-interested motivation**. Even if sharing experiences and relations are based on goodwill and reciprocity towards the information seeker or the referred, the information sharing was not always altruistic in nature. Instead, third actors gained different kinds of compensation for their activities, besides the potential reciprocal favours. The non-monetary incentives were those of self-confirmation and power establishment, an acquired halo effect, and indirect monetary rewards.

By acting as promoters and mediators, third actors established their power, and legitimated their expert status, as the following remark from a third implies:

Of course, if I have some good contacts, I can and I will use them.

In some cases the third actor was motivated to promote the relationship initiation, since their own reputation was improved if it could be linked to organizations with a good reputation and status. The citation below from software and consulting industry shows, how some "customers" want to be linked to providers with a good reputation, since linking shifts their own reputation and business, and thus they gain a halo effect:

For example, a designer agency normally thinks that being a reference will benefit them because their name comes up. I even know a few agencies who claim to be a customer of ours, although they haven't ever bought a license from us. They do this just because they think that it raises their image somehow and that they can get new projects from their clients because of it. They think that their clients think that 'here's a forward looking, modern software using corporation', and they enhance their own image with that.

In the literature, there are also some notions of how existing network relationships signal quality (e.g. Turnbull, Ford and Cunningham 1996) or position actors in the business networks. For example, reference relations with new startup firms or innovative firms might also give a customer company an image of innovativeness that can be valuable in some industries and help a firm to position itself as innovative and creative (Gomez-Arias and Montermoso 2007).

Sometimes third actors gain no direct monetary compensation but some indirect monetary rewards; for example, when third actors boost the business of their closest business actors they might acquire new business for themselves later. Thus, introducing, being a reference customer, giving a testimonial statement or recommending can also be motivated by the opportunity for self-promotion. For instance, when a seller party presents their references, the reference customers' business is highlighted and they get free promotion:

Clients do view reference customership very positively. An entrepreneur is always proud of his/her own work. It would seem very weird, if an entrepreneur wouldn't want to step up and promote their own work. They like to talk about themselves

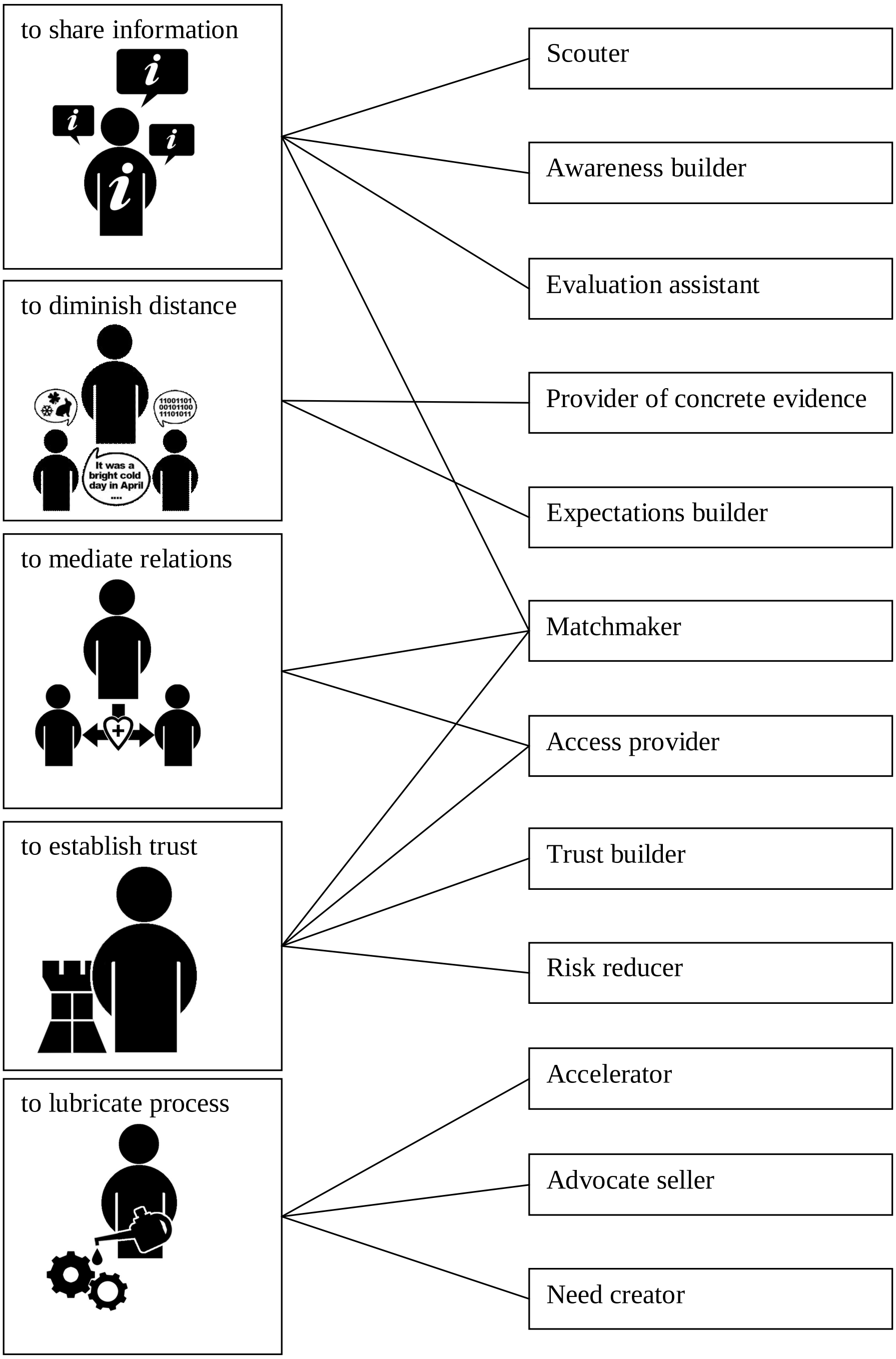
Indirect rewards can be related to reciprocal benefits that are not clearly monetary but have value in business. For example, the members of referral networks and reference customers may receive more flexible treatment, as an example from technical consulting suggests:

I could put it like this; the benefit that we gain (from reference customership) is usually flexibility, which works both ways. When we're flexible with them, they are flexible with us. That is what we gain.

5.2.3 Roles of third actors

The literature review (in section 5.1) reveals that third's roles are related to information sharing and relation sharing. Furthermore, existing relations enable, for example, the identification of new opportunities or the ability to gain access to new markets (e.g., Ellis 2000, Su et al. 2009, Ritter 2000).

As the result of the data analysis, twelve roles of thirds were identified in the relationship initiation. The roles are scouter, awareness builder, need creator, access provider, accelerator, advocate seller, matchmaker, trust builder, evaluation assistant, expectations builder, risk reducer and provider of concrete evidence. The roles present the five main tasks of thirds in initiations: the thirds share information, diminish distance, share relations by connecting and mediating, establish trust and lubricate the initiation process (see Figure 26). In the following section, these roles are described in more detail with citations from the data. The roles are sorted into an order that adapts the advancement of initiation, starting from need identification and awareness.


to share information
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to diminish distance
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It was a bright cold day in April ....
to mediate relations
to establish trust
to lubricate process
Scouter
Awareness builder
Evaluation assistant
Provider of concrete evidence
Expectations builder
Matchmaker
Access provider
Trust builder
Risk reducer
Accelerator
Advocate seller
Need creator

Figure 26 The roles of thirds: 5 main tasks and 12 roles

5.2.3.1 Scouter

During an initiation, the first step for a seller is to find potential customers as proposed in the selling literature. The scouter role of thirds suggests that thirds can look for potential customers for sellers. In the following a designer describes how a community of complementary consultants related to design served as scouters for each other:

I was participating in the professional trainer programme. There were about twenty consultants in the programme, and we even founded an association. They chose me for the chairman. That group has been the foundation for new business. Those consultants are running around in several enterprises. They become aware of their needs and give hints to others once in a while.

Through relations and networks firms gather superior information on each other and identify each other's capabilities and prospective partners through referrals networks (Gulati et al. 2000). Using personal contacts in information generation can be called market listening (Andersen 2006): thus information and existing relations possessed by third actors are put in use for market listening when thirds identify prospects that can be researched further in order to launch initiation activities. The scout function in customer relationships means that suppliers obtain meaningful information from outside of their organisation (Walter et al. 2001), and this can be extended to other relations than customer relations, as diverse thirds can be involved in prospecting: asking current customers and acquaintances for the names of potential prospects are typical prospecting methods (cf. Jaramillo & Marshall 2004, Moncrief & Marshall 2005). Such information acquired from third actors can be very useful in the identification of prospects, as the CEO from dataware consulting illustrates:

You have to have some kind of an idea about who to call. Of course there are these databases available but once in a while you hear something. When you wander within your network you have to always have your ears open: "oh, he mentioned a name". I might even ask 'what was that name?' or something like that. Current clients can especially tell you a lot of things.

Similarly, the CEO of an advertising agency aimed to use a third actor with good relations to customer scanning:

There's this firm that imports mostly stone goods from China, but they have other import activities too. We designed them a business image and design management project at a fair price. I'm interested in this firm because this fellow is our financial consultant and has made a lot of corporate acquisitions and he's got an extremely good network in trading. I told him straight up that 'if you see that one of your clients, would really need a hand – I'm not saying that you have to go running around marketing us – but let us know if there's a place we should make a call, if they could do with some help.'

Related to scouting is the issue of the screening of potential partners, for which the results of Ellis (2000) from foreign market entry and Warsta et al. (2001) from partner screening also provide support.

5.2.3.2 Awareness builder

Thirds can help build awareness, since dyadic parties need to be aware of each other in order to initiate. The relationship development model developed by Dwyer et al. (1987) stresses the awareness phase by stating that the relationship initiates when "party A recognizes that party B is a feasible exchange partner." Also in the buying process models one of the first stages is the identification of alternatives. The findings revealed numerous situations in which awareness was built with or through third actors.

To be recognized and to build awareness, a seller party can employ relations with diverse thirds and to knit together a network of third actors who build their awareness further:

It's worthwhile, for an advertising agency, to be interested in the opinions of an advertiser or a media's representative and to try to share and exchange experiences and knowledge. That's how you become a part of this circle of discussion. Colleagues just get together on these different occasions. This leads to a situation, where you start to exist as an advertising agency. It's really important.

The data indicate that third actors build awareness passively when they act as references or more actively through referrals. For example, a rating advisory consultant described how business banks aim to create awareness by presenting an impressive amount of thumbnail logos of customer organizations and thus reference customer' names, brands and logos act as awareness builders, although they play their role passively.

Awareness is also built more indefinitely by a blurred group of thirds through reputation and publicity, as the citation from project consulting explicates:

The circle of business people is quite small. We do not know everyone, but we do know a lot of people. And they know more people, and so the message is carried further.

5.2.3.3 Need creator

Sometimes the third can create the need for a relationship initiation. Relationship stage models (Ford 1980, Dwyer et al. 1987) take the existence of the buyer's need as given, but in some situations, the buyer does not necessarily recognise its need. In professional services, for example, the customer can be made aware of the need by the service provider who possesses special competence to diagnose the customer’s problem (see Edvardsson 1989, Day & Barksdale 1994). The findings of this study suggest that also a third actor can have the role of need creator.

The data indicate that on numerous occasions a personal third actor identified a problem in the potential customer’s business and advised the customer to contact a particular seller to get suggestions for a solution.

Also artefactual thirds played an important role in need arousal as well as in need definition through the use of references. In the following extract from the data, the designer illustrated how need is created and cleared through reference cases:

Reference descriptions are very important to the entrepreneur customer who has not previously utilized design in its business. This is because they note that ‘okay, even on our scale design can be advantageous’. The typical image is that only large enterprises can benefit from design. On the other hand, if they have used design previously, reference descriptions give a hint as to how design can be integrated into their business even more effectively.

5.2.3.4 Access provider

The access provider role implies that a third actor can offer access by creating the connection or by helping to create the connection between initiating parties, as the CEO from high-tech illustrates:

We helped this Irish consultant get in touch with VTT and some authorities in Oulu. Then later he took us to talk to the marketing leaders of Europe at the P exhibition, which was a big exhibition. That’s where we got better contacts and an e-mail address. That’s how we were able bit by bit to build communication.

Access is grounded on connectedness, since the third has connections with a network actor in whom the focal organisation is interested but not connected to. Therefore a trusted well-connected third actor can provide the access. This kind of access provider role of the third actor is supported by a market function that implies that the seller gains access to new markets through referrals and recommendations from current customers which support a supplier (Walter et al. 2001).

In an access provider’s role, the third can actively, reactively or passively aid the seller approach a customer, i.e. by offering referrals or arranging introductions (cf. Moncrief & Marshall 2005), by contacting the prospect to arrange sales interviews (cf. Jaramillo & Marshall 2004) or by offering a strong reference that eases accessing. Data showed that in particular, the very first reference customers of startup firms or the large and prestigious customers of mature firms strongly play the access provider role and open the door for new business.

The access can be based on the social relations of the third actor and the recommendations of door-openers (cf. Halinen & Salmi 2001) as in the following case:

One contact emerged in the following way: I had previously worked for a local firm. It was quite a small case, nothing big at all. They were extremely satisfied. The guy, who was responsible for marketing in that firm, also works in a firm located in the capital and he presented me to that firm as well.

Consultative referrals from the third persons may especially facilitate access because they change the atmosphere of the early interaction within the initiation from that of “selling” to that of “consultation” and advising (cf. Boles et al. 1997).

Access providers can be also more “material” thirds, since reference works and the names of customers themselves may offer access to new customers. Material thirds provide evidence of capability, as in the following situation:

Good references are the best way to get somewhere in new business relations. If I call A [milk product co.] and tell them that we have made fine campaigns for their competitors in the food industry, and they recognize these campaigns, they will receive me. They think that we have capabilities in that industry.

5.2.3.5 Accelerator

The initiation can be long and it can take months and years after the first promising contacts before an initiation proceeds (Holmlund and Törnroos 1997, Warsta et al. 2001, Halinen 1997). However, a third actor can accelerate the initiation. A referral by a third can make the start faster, as the CEO from the advertising industry described:

If the project starts off based on a recommendation, the need already exists. You don’t have to try and create one. Or even roam around and try to sense if there is one. It particularly shortens the process. If we have to start from rock bottom, as in making direct contact with a firm, the process might be extremely long before it actually creates any kind of business or an actual assignment.

Another CEO from the advertising industry described how third actors in expert communities facilitate and shorten the selling process:

There are certain communities and events et cetera where marketing managers and product group managers meet. If you have a couple of good referees there, this word-of-mouth can provide a good contact that is equivalent to several months of selling.

5.2.3.6 Advocate seller

The third actor can act as an advocate marketer. The third actor promotes the good performance of the seller and its offerings and thus supports the seller's marketing activities for free. The CEO from project consulting said that referees were *"free sales people in our fields"*. In particular, satisfied customers who share their positive experiences and thus boosted the communication concerning the seller party can be seen as advocate sellers. Advocate sellers speak for the supplier either spontaneously in their own time or are encouraged to do so at seminars, social events and reference visits organized by the seller party. Testimonials can also be considered as advocate sellers, because in this kind of activity the third clearly speaks positively about the seller and its products.

Thirds are especially valuable agents for marketing professionals since they are considered non-commercial sources of information. The credibility of outside independent experts who attest to the quality of a purchase is higher than those individuals who formally represent an organisation and this can count to the extent that they become "an auxiliary sales force" for the seller (cf. Henthorne et al. 1993). The following example shows how, a seller tried to utilize their third actor advocates effectively:

Reference visits are often crucial, because it convinces the customer that our software is in heavy use somewhere. In that situation, our customer acts as a seller and we try to stay quiet, and let the existing customer talk to the potential client.

Sometimes, a lack of marketing skills and marketing resources in professional service companies (cf. Szmigin 1992) may emphasize the role of thirds as auxiliary resources in sales. In traditional SME professional service agencies there is usually nobody specifically trained in marketing and marketing resources are scarce, and in this situation, promoting thirds can supplement the minor marketing resources:

An electrical wiring designer or architect from previous projects has sometimes recommended us for new projects, and if we have made quality work, the new projects will come straight to us. So, we don't need to do anything else but sustain the high quality of the work.

5.2.3.7 Matchmaker

Third actors as matchmakers identify the most suitable party, evaluate the fit between potential parties or aid the parties themselves to evaluate the fit. A matchmaker can also bring the potentially "matching" parties together. This means that the matchmaker's role is linked to awareness, access, evaluation and trust building. The literature also supports this role suggesting that the insight of the trading opportunity and identification of suitable partners may first be noticed by some mutually related third party (Ellis 2000, Wong & Ellis 2002).

In order to create new relationships within business fields, actors need to know both the people and their capabilities (Larson 1992), and the matchmaker must know the information and how to utilize it. The following extract illustrates how a third actor matched two design oriented agencies together:

We print these plans at a printing firm. We printed there already when we studied this profession. We became friends years ago, and once he said 'have you ever heard about a construction project consulting firm called "X"? They do exclusive and good works'. We hadn't heard of them but we immediately checked them through Internet, and they really do produce quality work.

Referral actions or introducing are a matchmaker's activities for connecting matching parties. In professional services, recommendations and referrals have been the most relevant ways for both parties to appoint and find a compatible partner (see Feldman Barr & McNeilly 2003). The data suggest that also reputational information sharing by thirds can "match" the dyadic parties:

There are rumours floating among people involved in marketing. And people listen to these rumours when they are seeking a certain type of designer instead of seeking design in general. Hence, we have a reputation that we ourselves are not aware of. We just get the call. Hence, it is difficult to know what kind of reputation we have and what type of design we are known for.

The matchmaker uses its relations and experiences in a self-reliant fashion, but the data also indicate that the "matched" party often relies on the matchmaker's evaluation, as the following cite from landscaping consultancy explicates:

I appreciate all our partners with whom we co-operate. They are fantastic people. If they recommend us to someone, I know that it will be a good assignment.

5.2.3.8 Trust builder

The third actor also builds and transfers trust by offering an external promise and "statement" about trustworthiness. Trust is crucial in relationship development, and it originates from the reliability of threats and promises (Dwyer et al. 1987). Since professional services involve "intimate exchanges" and client involvement in producing, perceived trust appears to be an antecedent necessary to start a relationship (Rosenbaum et al. 2006, Halinen 1997). Therefore thirds as trust builders and trust establishers play an important role in enhancing the initiation.

Trustworthiness can be proved through acquired and appreciated customers (Salminen & Möller 2006, Warsta et al. 2001, Boles et al. 1997), and having high profile or long term customers (Yavas et al. 2004) as thirds. Empirical evidence shows that diverse types of thirds contribute to initiations as trust builders; organizational reference names, the network of peers assuring good reputation and oral referrals all build trust. In the following, a certain trusted person, who gives a good testimony or evaluation, serves as a trust builder:

Let's take for example JS, who is a good client of ours. He isn't so interested in what we've done before, but he wanted to ask JS2 if we could be trusted. Then when he got his answer from JS2, it was enough for him.

Larson (1992) divides trust into two elements: the social aspect "knowing the people", which emphasizes the social relations in trust and economic aspect and "knowing their capabilities", which emphasizes skills, performance and capabilities. In professional services, customers cannot easily appraise a provider's trustworthiness in the capability dimension in advance and thus they must rely on a professional service provider's training and reputation when determining capability (Rosenbaum et al. 2006). The following short narrative is about an initiation in which "knowing the people" indicated the capability of the service provider and transferred trust:

Just now I have a new emerging relation, but they are very careful. They even said to me, that they had a very bad experience with a newly graduated designer. That had an impact on my assignment. However, because I was previously known and referred, they trusted me. If someone refers you, it is a powerful thing.

The data suggested that also if the organizational third, e.g. reference organization, was a known organisation, trust related to this organization was transferred to the seller party:

A client can see, what has been done and with whom. A client looks at the size of the corporations, their visibility, their stature in the market and how they position themselves. Through the reputation of these firms credibility is transferred. I think that's how the trust is built.

If there is no personal trust or established social relations indicating trustworthiness, the capability related trustworthiness of the service provider has to be proved with assistance of more material thirds through references:

Some clients are satisfied if I present a couple of our luxury assignments and I can say that I have made these. That is usually enough to build the trust.

References as artefactual thirds serve as trust builders, if the seller party employs them in a way that illustrates that the expert possesses an understanding of the industry and is willing to use its expert capabilities for the customer's purposes:

You shouldn't try to show off your references to a client, but instead you should try to illustrate that you understand and that you know how to make a *good product for the client through your references, just the kind that they want. And try to build trust that way.*

Also, other kinds of material thirds, such as awards won imply a recognized standard of excellence and long term success which build trust concerning the expert capabilities of the supplier. The actor in advertising industry illustrates this aspect:

Some agencies have this long list of prizes they've won on their website, and with them the agency are able to show that they have earned trust.

5.2.3.9 Evaluation assistant

The third actor may help the new customer to evaluate the quality of the offering and the performance of the supplier. Evaluation assistants reflect whether the focal supplier fulfils the relevant evaluation criteria, possesses a relevant and sufficient industry understanding and operates in an appropriate way.

Since intangible and knowledge intensive service outcomes and processes are difficult to evaluate in advance previous works as artefactual thirds particularly assist the buyer in evaluating. Through reference cases and descriptions the buyer is able to evaluate what the agency has done before and how, and does the price correspond to the outcome. Moreover, through personal face-to-face interaction also third persons can provide informal, sensitive and confidential information that contribute evaluations. Evaluation assistants were often employed by the buyer, as the following presents:

I followed the reference because I wanted to save resources instead of trying to come up with something by myself. I prefer to think that some other company has done the work for me already. If a client uses a firm and gives out its name, it works as an acknowledgement that 'okay, it's good'. The firm has the substance and the people in the firm know their field of work. But it can have something to do with the prices too; invoicing systems that are reasonable, or that they are reasonable people to work with.

When buyers evaluate potential sellers and their offerings, they use evaluation criteria and selection factors which in professional service are often: experience in a certain field and industry, results (solutions and previous work), competence and professionalism, schedule, price, creativity and reputation (Day & Barksdale 1992, Edvardsson 1989, Dawes et al. 1992, Lapierre 1997). Hence, third actors playing evaluation assistant role may provide information concerning these issues to support the evaluation processes throughout initiation.

The literature suggests that previous successful work, experience and knowledge of a client's industry sector are often required and weighted (Day et al. 2003, Edvardsson 1989, Mitchell 1998a). Analysis of data showed that reference works and customers as well horizontally related advocate partners in a specialised industry can prove that the seller possesses such required industry experience. For example, a designer had worked with a glassworks and designed several noted glass products also for other clients, and thereby his artefactual and organizational thirds indicated that he knows “*about glass as material*”. Previous works and relations served as evaluation assistants for buyers looking for a designer who possesses a good experience in glass design. Consequently, he acquired new customers, such as a global alcohol brand and a state alcohol company, and designed new bottles for them.

Furthermore, large and prestigious customers, who are known to apply stringent criteria to their selection of supplier companies, have a valuable contribution to new business (cf. Walter et al. 2001). Such customer organizations are often assumed to have already fully evaluated a supplier’s offerings and performance, and thus new customers can employ or follow “base evaluation” that the evaluation assistant actor has already made, as the CEO from translating industry expresses:

If the customer is a well known large company, which has vast resources for executing competitive bidding between agencies, and it still uses us, it is valuable for us.

The previous experience of a third actor can be considered a sort of comparison level for evaluating the quality of a service. This gains support from the reference literature, since references are said to assist in evaluating certain quality-to-price relationships (Salminen 1997).

Some kind of similarity and compatibility between the evaluation assistant (the reference customer or the reference case) and the potential buyer with a case was needed. If there are no similarities, a third actor is not considered a good evaluation assistant. For example, the following citation expresses that the size of a reference case and the planned project of the new customer should be similar (see also the compatibility information in section 4.4.4.3.):

If your references extend to working manufacturing plants that produce 5 000 in an hour and a client wants to buy 60 000 in an hour, they’ll start to wonder if you can manage, especially when your references are tiny like that. The size of the reference does matter. Your references must be convincing enough to meet their needs.

5.2.3.10 Expectations builder

The third actor may help the new customer build expectations. Expectations of professional services may sometimes be fuzzy instead of clear and explicit, or unrealistic instead of realistic (Ojasalo 2001). In such situations customers do not have a clear understanding of what they expect or what it is realistic to expect from the service provider. Equally, it is challenging for a service provider to present the outcome and the process to the customer beforehand and to control expectations. Hence, the third actor may be a crucial aid in building realistic and explicit expectations that are acceptable for both parties. Thus, thirds can make the expectations of a buyer clearer and complete the lack of trial opportunities, as the following citation from the design industry illustrates:

For example, in company S's case, design agency S-S developed and conceptualized the S7 serial for company S. From that conceptualization a new potential client can understand what the ensemble of the designed products will look like, how it'll look to the final customer and production and how it has benefited the company it has been made for.

Expectations can also be boosted by presenting reference cases said a CEO from an advertising industry:

The best way to get a client interested is to show them some previous outcomes, because between an advertising agency and a client there always has to be enthusiasm. A client expects the advertising agency to supply some extra thrust to their business and through previous projects it is easy to get a client more enthusiastic.

Warsta et al. (2001) connect references and contacts through relationship level expectations (the expected efficiency and benefits to be gained from the relationship) and comparison (previous transactions that indicate the costs and risks related to the relationship). Thus, expectations can be directed at the whole relationship, not only at the service.

5.2.3.11 Risk reducer

The risk reducer role implies that thirds can reduce risk – actively or passively – by offering risk reducing information, by representing established social and organizational relations and by exemplifying successful works. In the following, reference cases as artefactual thirds and customer references as organizational thirds reduced the risk perceived by the buyer:

Well, the customer wanted to know the references, what we have done before and whether they were good. It's quite a normal practice. People don't hire just anyone.

The buyer of professional services uses risk reduction strategies such as choosing the leading firm in the field, asking to see similar work done by the firm or obtaining colleagues' opinions about a firm (Mitchell 1998a). Respectively, the supplier itself can use the opinions of other buyers as a risk reduction strategy through reference practices (Salminen & Möller 2006). The study indicates that especially similar works as risk reducers were important in initiation. The following example from engineering describes how artefactual reference works for previous customers reduce risk concerning return on investment and functionality:

The customer has made calculations about productivity and return on investment that is based on the assumption that the factory will operate at given capacity. It is total disaster if that does not happen. Therefore, the customer needs to be assured; that they are buying their plans from an agency whose production plants also operate in practice. We have references for our work that proves that we have designed factories in several countries and that they are in operation.

Also the following example from advertising describes how a good quality reference from a third actor reduces economic risk concerning the investment and reliability:

If a large customer uses a lot of money in advertising, it says something about our quality through those reference works. It says that if a new customer throws in its lot with us, it will not be a risk.

5.2.3.12 Provider of concrete evidence

The provider of concrete evidence implies that a third actor may make tangible an intangible service. In particular, works and past assignments for customers can act as “examples” of performance and give information about a potential solution and the outcome of the exchange. They can illustrate, visualize and describe the content and the benefits of exchange and give examples of it. In professional services, the recognised need of a buyer is transformed into a solution (cf. Edvardsson 1989, Day & Barksdale 1994), and because a solution will be customised, both parties have to have a mutual understanding about what the “intangible solution” could be and what kind of processes and interaction are needed to achieve it. Third actors can therefore contribute by exemplifying and tangibilizing diverse aspects of the service.

The data indicate that both the outcome related technical “what” dimension and the process related functional “how” dimension (cf. Grönroos 2000) have to be decoded for the less experienced customers. In creative professional services, providing concrete evidence is crucial, especially when the customer is buying the service for the first time:

Some of our customers have never seen this kind of plan. Then it is simpler to show what we have done previously and explain that they will also get this kind of solution and it will include this and this, and that the process will develop like this.

Even if the potential customer is experienced, the potential solution still needs to be presented, since the supplier must demonstrate its ability to resolve the customer's problem. The solution and the process can be represented with artefactual reference works, or third persons can give user information about solutions through word-of-mouth. For example, in the initiation case illustrated in chapter 6, the buyer of the engineering services wanted to maintain their facilities and buy plans only for the new automatic production lines in order to replace the old manual production lines. However, the engineering agency tried to convince them that the new technique did not fit in the old facilities. The visit to a previously designed factory that represented the artefactual third made this issue clear for the customer.

Concrete examples and presentations can illustrate a solution and its value to the customer in explicit and defined way, as in project consulting:

With references, we are able to present what we have done and what it has cost and how long the planning and execution usually last.

The value-creation process of professional services is especially challenging because numerous benefits and costs can only be examined after the transaction (Lapierre 1997). Thus, it is usually difficult to present the long term value of an offering, but the company's customers and reference cases, however, can attest to the value of the offering:

It is really hard to point out the long time benefit of my service. I've got a few clear examples in my personal history, but it's also possible to think that the client could've managed fine without me. When the firm itself has said to me that without your input we wouldn't have done so well, then I have the courage to say that too. But it's a bit hard to prove, because you don't have anyone to compare it to.

In the following description, the reference case as a material third actor provides concrete evidence about potential solutions to a customer's problem:

You have to be able to plausibly explain your own choices. I've shown this one video clip about Company T's case to those firms, who make this really dull product and don't want it to look anything other than dull. That's when I can pull out the T case, which proves that I can rethink things. That's the thing I'm selling there. If a client already knew what kind of a thing they were looking for and how it should be done, they would make it themselves. I have to go and step up as an expert on my own and say that 'this exceptional proposal is honestly the best one'.

However, making the reference case tangible can also "lock" the thoughts of the customer, suspects a senior industrial designer:

Actually, according to my experience, if the customer is already hooked, you should not present other customer's projects anymore. Otherwise the customer is *afraid that you will replicate those previous cases. Therefore reference should be used only in order to gain the customer.*

Since particularly artefactual reference works (see also Appendix 8) offered a tangible tool for presenting potential solutions, the service process and its value to customers, both initiating parties used them. Sellers employed reference works as "tangibilizers" when presenting and visualising the selling point and presenting the potential solution, and potential customers reviewed them to gain a concrete vision of what exchange after initiation would provide.

5.3 Conclusions on third actors

The existing literature on buying, selling, relationship development and networking notes the important role of various external information sources and connectors, and creates a basis for understanding third actors. A third actor's contribution to the initiation of dyadic relationships is based on interconnectedness, market functions and network effects (cf. Ritter 2000, Anderson et al. 1994, Walter et al. 2001). This chapter focused on third actors in an emerging dyad, and analyzed what kind of actors function as third actors and how they contribute to relationship initiations. Thus, the findings of this chapter are generated by identifying third actors, categorizing them and exploring their motives, activity modes and roles in initiations (see Figure 27).

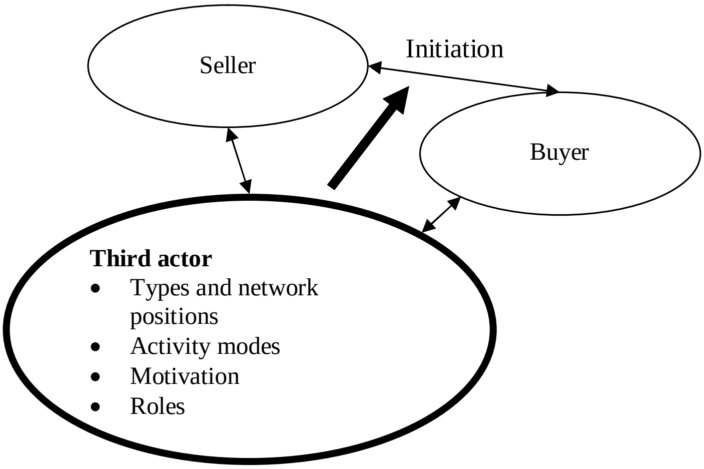


Figure 27 Third actors' types, activity, motivation and roles

5.3.1 The emergence of third actors

This chapter developed an integrative analytical description of the status and function of third actors in relationship initiations. First, it integrated various literature streams to determine the types of “thirds” with experiential information and with relations that enable them to mediate contacts. Thirds’ information and relations are valuable inputs that contribute to initiation processes.

The analysis of the data and literature captured four types of third. The previous literature distinguishes two types of third actor; an organisation (based on economic exchange), and a person (based on social embeddedness). However, in this study, the meso-level between people and organisations was also found to be significant, and further categories for thirds were identified from the data; a person on behalf of an organisation, and a person as a representative of an industry or profession. Moreover, data analysis showed that an artefact, a work or a realised assignment was seen as a material third that represents existing relations, experience, and the output of earlier co-operation. Additionally, the data suggested that thirds can take the form of an informal community. The evidence for these identified types of third actor receives indirect and direct support from earlier research e.g. the industrial network literature considers organizations as actors, the social network literature and word-of-mouth literature discuss persons as promoting actors, and the actor-network theory and reference literature discuss the role of artefacts as a part of a network (see Table 12).

Table 12 The main literature approaches that provide support for the third actor phenomenon

Type of third	***Research area, its features and emphasis***
Organizational thirds	Supporting literature: Industrial networks Actor is an organization Links are based on organizational ties, resources, information
Personal thirds and communities of thirds	Supporting literature: Social networks, word-of-mouth literature, decision making literature, buying literature, internationalization literature Actors are mainly individuals, but also organizations Links are based on friendship and social ties, resources, information, power
Non-human artefactual thirds	Supporting literature: Reference literature (and Actor-Network theory) Actors are individuals and objects/artefacts and materials with relational effects Links are based on heterogeneous associations of human and artefactual elements

Previous research suggests that personal networks and contacts impact initiations. The findings of this chapter confirm this, but also reveal that social relations are particularly influential when embedded in professional and organisational relationships between the third and the seller or buyer. Third persons are trusted information sources because of their expert status and social ties, which oblige them to behave in a trustworthy fashion so their contribution to initiation is expected to be advantageous. Thirds are externals to the initiation situation and therefore credible, but they are also industry insiders within professional or organisational networks and therefore able to provide valuable sensitive information and relations.

The thirds' experience of initiating partners originates from customer relationships, professional relations, industry expert relations or social relations, and therefore they are able to provide customer views, user views, expert views, and peer views on matching aspects and trustworthiness. Thirds' connections that facilitate initiations were based on vertical customer relationships and on horizontal relations with other related firms or non-profit organizations. Existing and previous customers are an important group of thirds, but also non-customer actors, such as the providers of complementary services, related professional services or other related services or products, are important. The providers of complementaries, as well as competitors, can also offer valuable industry specific information and they often do so with the intention of promoting the industry as a whole.

5.3.2 The activity, motivation and roles of third actors in initiations

The previous literature acknowledges customers as both passive and active promoters (cf. Helfert & Vith 1999, Payne et al. 2005), but the findings of this study show that even more diverse types of actors may contribute to initiation in even more diverse ways, as four activity modes emerged from the data. In a passive mode, for instance, the third allows the use of its name, in an active mode, it participates actively in the initiation by introducing potential parties, and in a reactive mode, it responds to a potential buyer's or seller's request for information. In an inactive mode, thirds may also remain hidden or silent, denying their role as promoting thirds as sometimes happens in the case of non-profit organizations or classified references.

Thirds assist initiations for various reasons; some motivation factors are grounded on social triggers, such as social control or reciprocity. Other motivation factors were relational, such as wishing to express gratitude towards the marketer. Some reasons seemed to be quite selfish, such as the halo effect based motivation or self-confirmation. However, the findings showed that in business markets, thirds have numerous non-monetary reasons or only indirect monetary reasons to promote others businesses (see Ryu & Feick 2007, Wirtz & Chew 2002) and thus monetary compensation need not be necessary. Monetary compensation in some situations can even lower credibility and thus harm the promoting network effects.

Ritter (2000) has earlier outlined the positive effects of relationships to other relationships in triadic settings. However, this research investigated through the data driven analysis and in more depth, how such positive effects are realized throughout the initiation process. Thirds have five important tasks in initiations: they share information, diminish distance, connect and mediate relations, establish trust and lubricate the initiation process. Furthermore, the study identifies the twelve roles of third actors that are linked to these main tasks: scouter, awareness builder, need creator, access provider, accelerator, advocate seller, matchmaker, trust builder, evaluation assistant, expectations builder, risk reducer and provider of concrete evidence.

The identified twelve roles of thirds are not clear cut and separate, but often function together to support a relationship initiation, and advance the identified six key processes of relationship initiation. Figure 28 depicts the potential impact of a third actor in an initiation by connecting thirds to the key processes of initiation. The initiation comprises key processes that third actors are able to facilitate: for example by playing an awareness builder role, the third actor can facilitate the identification of a matching attractive partner and by playing the advocate seller role the third can advance gaining access. Some of the identified roles have a function in advancing more than one process. For example, the trust builder third may both build conditions in which to operate in terms of the focal situation and ease planning the future with the counterparty.

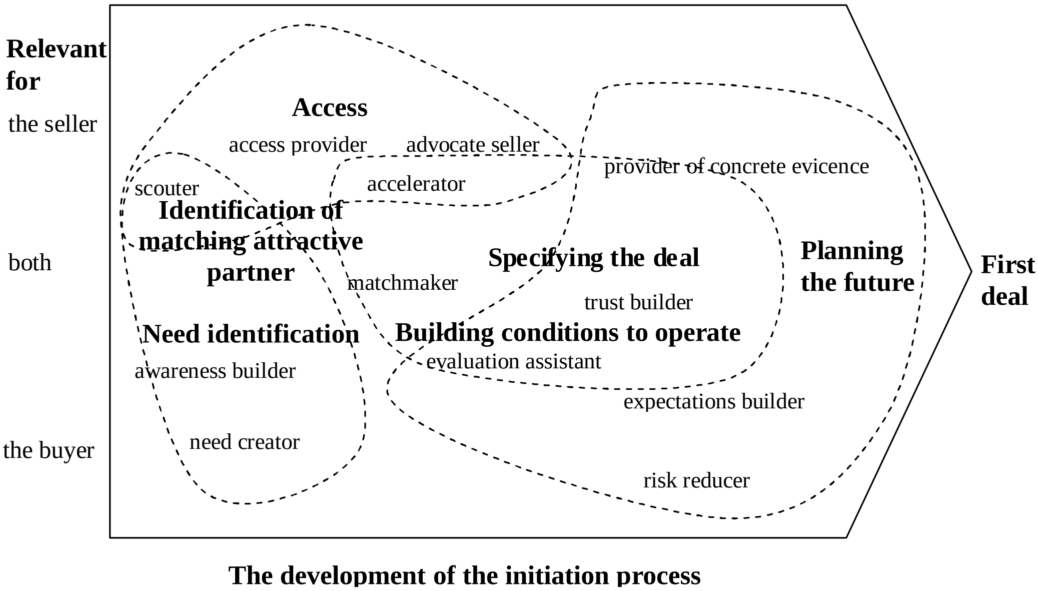

Relevant for
the seller
both
the buyer
Access
access provider
advocate seller
accelerator
provider of concrete evicence
scouter
Identification of matching attractive partner
matchmaker
Specifying the deal
trust builder
Planning the future
First deal
Need identification
awareness builder
need creator
Building conditions to operate
evaluation assistant
expectations builder
risk reducer
The development of the initiation process

Figure 28 The various roles of third actors in relationship initiations

As expected, some of the roles relate very directly to the key processes of initiation. These are the roles of awareness builder (cf. Dwyer et al. 1987), matchmaker (cf. Wilkinson & Young 2005), evaluation assistant (cf. Ford 1980), trust builder (cf. Halinen 1997) and even the risk reducer, as it is very close to the reducing of uncertainty and distance between potential business parties (cf. Ford 1980). The other roles found in the data driven analysis also draw support from the earlier literature. It seems evident that some of the roles are more pronounced because of the special features of professional services. The need creator (cf. Edvardsson 1989), expectations builder (cf. Ojasalo 2001), provider of concrete evidence (cf. Salminen & Möller 2006, Edvardsson 1989) and risk reducer (cf. Mitchell 1998a) receive explanations provided by the literatures on professional service and service marketing.

Some roles, such as scouter, matchmaker and advocate seller require relatively active participation from the third, whereas the roles of trust builder and provider of concrete evidence may be accomplished by a relatively passive third. Some roles, such as scouter, matchmaker and advocate seller are usually performed by persons, and some roles, such as provider of concrete evidence can be performed by the examination of previous work.

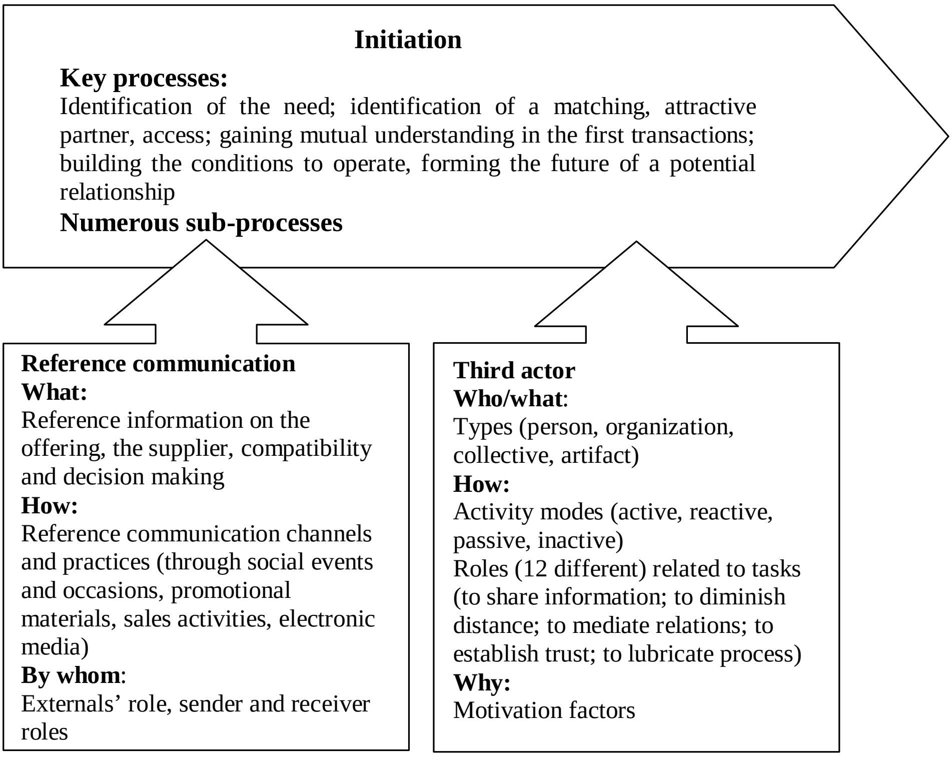
Some of the third actor roles are more relevant to either the buyer or the seller and are essential in buying and selling processes respectively (see the vertical axis in Figure 28). For the seller, building awareness (awareness builder), prospecting (scouter), building contacts with the potential buyer (access provider) and the presentation of a firm’s services and problem solving capabilities (the provider of concrete evidence) are necessary in order to make a sale. For the buyer, need recognition (need creator), and the evaluation of the alternatives (evaluation assistant) are necessary steps before an assignment can be specified and subsequently given.

Even though existing scattered literature reflects the third actors roles, the findings of this study have structured, integrated and deepened these reflections or transferred them to new contexts. For example, connectors, mediators, bridges and go-betweens (e.g., Ritter 2000, Uzzi 1997, Granovetter 1985) link people and organizations together as access creators and matchmakers. Furthermore, market mavens in b-to-c contexts (cf. Goodey & East 2008) can be applied to b-to-b contexts where they share marketplace information and act as evaluation assistants and matchmakers.

The findings also suggest that the third actor phenomenon has a strategic dimension. The evolution of social relations, organizational relations and “work portfolios” is an organic process as today’s customers, partners and assignments are the contributive thirds of tomorrow. This cycle can be managed to some extent. As Ritter (2000) notes, the manipulation of interconnectedness and employment of relationships becomes an element of strategic network management. The analysis suggests that acquired social and organizational relations with personal and organizational thirds and artefactual thirds represent the existing network relations that can be activated and exploited when needed during relationship initiations. These findings on third actor contribution have value for the network literature and, in particular, interorganizational research.

6 INTEGRATING THE THEMES: THREE CASES OF INITIATION OCCURRING THROUGH REFERENCE COMMUNICATION AND THIRD ACTORS

This chapter outlines three initiation cases in which reference communication and third actor(s) contribute to initiation processes. By constructing and analyzing three cases, this section aims to capture complete initiations from beginning to end, as such a narrative whole builds understanding that follows narrative cognition. The analysis of initiation entireties also aims to present a diversity of initiation processes in different contexts. Moreover, the section aims to show the value of the developed categories of reference communication and third actor contribution: it integrates empirically the categorizations concerning reference communication and third actors (chapters 4 and 5) that are data driven findings from earlier sections, and links them to initiation processes that were identified on the basis of the literature review (chapter 3). Figure 29 depicts the integrative scheme that summarizes earlier findings on reference communication and third actor contribution and links them to initiations. This scheme is also used in the analysis of the cases.



Initiation

Key processes:
Identification of the need; identification of a matching, attractive partner, access; gaining mutual understanding in the first transactions; building the conditions to operate, forming the future of a potential relationship

Numerous sub-processes

Reference communication
What:
Reference information on the offering, the supplier, compatibility and decision making
How:
Reference communication channels and practices (through social events and occasions, promotional materials, sales activities, electronic media)
By whom:
Externals' role, sender and receiver roles

Third actor
Who/what:
Types (person, organization, collective, artifact)
How:
Activity modes (active, reactive, passive, inactive)
Roles (12 different) related to tasks (to share information; to diminish distance; to mediate relations; to establish trust; to lubricate process)
Why:
Motivation factors

Figure 29 Reference communication and third actors contribute to the initiation processes

Each case proceeds as follows: first, each initiation process is described and constructed according to identified initiation key processes, and the reference communication and third actor contributions that occurred are described. Then, at the end of each initiation case, the initiation itself, the reference communication and third actors are analyzed in detail, and the identified categories of reference communication, third actors, and initiations, are used to show their relevance and analytical employability in understanding relationship initiation. In the following cases, the focal unit of analysis is relationship initiation. An initiation is considered a process that leads to the first assignment between two parties.

6.1 Saw mill and wood technology concern – Industrial design agency

The initiating parties in this case study are a saw mill and a wood technology concern (the customer) and an industrial design firm CompanySoS (the seller party). The saw mill aimed to raise the degree of value added in its wood products, for which it needed a design agency. In the following case description, the initiation process is described and analysed, and the key initiation processes are highlighted.

6.1.1 Identification of the need

CompanyKS is a concern in the wood technology industry and it had the intention of creating a new product concept based on a new kind of wooden plate for decoration. CompanyKS's aim was to increase its value added level with low investments through design, and therefore CompanyKS sought a design agency who could design the new concept. As a design buying customer, they saw themselves as inexperienced, although the **need identification** was quite clear:

We're really a traditional material production corporation. We haven't ever taken advantage of design. When it comes to product design, we've tried it once, but it didn't work out then at all. But this kind of extensive new product design through consulting – that we have never tried. I myself did my masters in wood refinement engineering and I completed an IDBM study programme (that emphasized design). To this project the design idea could be applied to this project. Then I began to explore the possibilities.

The need to outsource design consultancy was clearly motivated from within the firm and launched the initiation process as the project manager describes it:

Surprisingly, it [the proposal for the project] went well though. Also, because using design is a new area for us we had to admit that we didn't have the competence to develop the design part inside our firm. At this stage we have come to understand that design is really important in this kind of product.

The buyer had an initial idea of their needs and the required solution: the aim was to integrate and utilize design within the production process and not to design a piece of wood art or make gimmicks with design:

We work in b-to-b and the companies that use our products buy material. For example an egg basket designed by Stefan Lindfors could have been far away from our business. For example, we would probably have to bend the veneer, which is quite normal for us, but, on the other hand, veneer is already the raw material that's being sold the most. That kind of an arty-farty thing doesn't really benefit us at all. Instead the goal of this sort of project is to make sure we are able to use material more economically, in other words so that we can raise our refinement rate and the extent of the value added content we offer customers.

6.1.2 Identification of the attractive matching party

Because the buyer had an idea of their need and stressed some choice criteria the list of attractive designers was narrowed and impacted on the identification of an attractive party. CompanyKS **was attracted** to designers who were able to design whole product concepts and started to seek a matching agency that could design wood plates so that their production would fit the existing production lines with only a low investment. The project manager of the buyer firm sought information on potential design agencies and contacted people and organizations in order to acquire information on matching design actors. The information search was extensive but difficult: on one hand, the design project was strategic but, on the other hand, buying design was a new task and information asymmetry challenged the buyer in its information search. This is described by the project manager:

This was such an unfamiliar area for me, and although I had scratched the surface of the design industry during my studies, I didn't know it. We can say that if I try to find a manufacturer in Finland, I can start with a much smaller mapping. Then I know, where to look. In this project instead I had to do much more background work than normal.

The buyer was an active information seeker and constantly tried to find information on designers that focus on wood. The buyer scanned web pages and checked potential designer and interesting design agencies and scanned their references, in order to find attractive and matching design providers. The buyer especially would have liked information that would have facilitated them in **finding a matching partner**. The project manager noted that, due to the narrow specifications of the designers and the unfamiliarity of buying design, an intermediary actor with design oriented expertise, could support them in finding a designer to match their requirements:

The question was; where can you find a designer that is right for the job? That kind of information is missing, who would be the one. That's why I asked around.

According to the buyer, people and colleagues in the same industry could not help in finding a matching opposite party because design is seldom used within the industry. Therefore the buyer tried actively to get recommendations and evaluations from experts in related industries and especially from neutral expert persons and organizations, such as educational institutes:

In the first place Y they didn't want to give me any names. Then I went to Organization T to chat. There they gave me some ideas and names, but as they weren't allowed to give names out they didn't actually recommend anyone. But they told me that these agencies have done similar kinds of work, and mentioned the ones that would fit in our industry.

This acquired reference communication guided and completed a further information search from other channels, and little by little the short list of attractive design agencies was developed:

I just read from papers and websites and tried to remember what I had experienced while studying. Then I asked; 'Who would be good?' Then I got names, those I checked out a bit more thoroughly. CompanySoS was in these, I think. So eventually the candidates piled up.

After a wide information search, the buyer found several attractive and potential agencies and designers, such as Company X, CompanySoS, designer HK and organization LM, and some of them were contacted. When the buyer scanned the attractiveness of the opposite party, the project manager evaluated, for example, the references of potential agencies and designers. According to the project manager, competitors as customers made an agency unattractive:

Actually, one office that I also checked out happened to have a competitor as a client. They didn't give out the name of course, but they said that a similar project is being worked on. So it stopped there. We're not going to compete for the same ideas of the same individual.

After the information search and evaluation processes, and after receiving some decisive referrals and first contacts, the project manager ended up interviewing two companies, *"which were both very interesting"*. Two industrial design agencies CompanySoS and Company X were asked to come for an interview and to give a presentation.

Because CompanySoS was chosen their perspectives on the initiation are reviewed next. CompanySoS provides industrial design especially for SMEs. They believe that their core competence and long term experience is in holistic concept design:

We try to provide long term product development that would enhance the market position of the wood company – in other words we try to develop their products, communication and the image of the firm. Because we've done it for so long and in so many industries, we have a lot to give. …We have both done a lot of jobs for small and medium-sized firms and family firms, so we have a good base for working with the entrepreneurs.

This orientation of the seller party also impacts on its prospecting. According to the seller party, the most attractive customers are small contender companies with growth opportunities, not large market leaders:

For example, an agency called D. made the decision that a client should have this and this much turnover and this amount of personnel before they are interested in it. Our agency on the other hand has worked with all sorts of clients. It's not really a profitable business, but it kind of keeps you brisk, because all kinds of things happen. --- Nokia, and these other kinds of clients *fight over market position and preserving it while other types of clients are the challengers and the position of challenger is somehow sweeter.*

The seller's special competence and strategic focus was then clear: their mission was to offer good holistic design to small and medium sized firms and to integrate design into a customer's business, even if they were not experienced in buying design. One of the design partners of CompanySoS continues:

The largest corporations work with a high intensity in their design, and they require specialization. For example, inside Big N they have user interfaces and packages, fashion and trend and product design and concept planning. They have specialized so well that it is hard for us to just walk in. We work mostly with the small and medium-sized firms, so we have to offer a wider scope of design. Other firms for example specialize in making different kinds of plastic packages for all sorts of equipment, and they do that for everyone. We are on the other side of the scale, and prefer to take a full, user centred approach. It's related to the kind of clients we want, because we want to specialize and form partnerships with certain kinds of clients. In order to be a good partner and deal with the whole range of design, we have to be extensive in our design work.

The customer acquisition of CompanySoS leaned on organic word-of-mouth and reputation spreading that built **awareness among potential attractive clients**:

In my opinion there are two ways as to how relations begin. The first way is that a client has heard from us, or from me, before. Hearsay happens in various ways. For example the time when we were in Vaasa, the newspapers wrote a lot about us and through that people got to know us. The entrepreneurs do talk with each other and it has a huge role. Or some management consultant, who circles around different companies, can tell that she or he has heard that people used those agencies. Then if someone you have worked with has moved to a different company they might recommend you also in their new position. The other way is through the people who are in charge of design in the Employment and Economic Development centres, they sell these service packages direct to the companies, and they have provided jobs for me to such an extent that I simply haven't had the time to work in the third way, which is that we choose with whom we want to work. We go there and tell them that we exist, that we are interested in working with them now, or in the future. That is the part that has been left undone due to laziness, and also because designers are a bit arrogant, so it's always nicer, if a client approaches you instead of you having to have to push yourself, although you shouldn't think of it that way. If you have enough work you don't really have the pressure to go that way.

Thus, this initiation followed the usual path of customer acquisition: the interested customer contacted CompanySoS first, not the other way round. Even though word-of-mouth, referrals and social relations are important for the seller party, the designer partner noted that it is difficult to identify the particular word-of-mouth and referrals that create new business:

Referrals are given by people who are in charge of product development and management in companies, people with whom we have succeeded. But we don't hear about them. For example in Company KS's case we only know that one person named a few companies.

CompanySoS has also interacted more directly with prospects, since expert presentations are important activities that enable contact with interesting prospects. In particular, CompanySoS gives lectures at seminars and at training events where firms become aware of them and their previous work:

The typical beginning of a relation is through the expertise. For example sometimes there is a course in design, which the educational establishments of design arrange, and companies also attend. When you get to teach them, they might realize that I, or our work, is perfect to for them. There I can also present some previous projects. From every course I have scored at least one customer.

Web pages were also mentioned by designer partners as an important practice in the creation of new relationships because they offer information and create the first impression. Cold calls and trade shows were seen as the weakest customer acquisition activities:

I do have experience of cold calling. They do not work. My wife is in the business and she once told me that I just have to pick up the phone. Then I called somewhere, some place she actually knew. It was such a waste. It's so easy to say no.

In the focal initiation case, the customer approached the potential design agencies with a call for bids, even though according to the seller, their initiation activity seldom involves bidding:

This project with CompanyKS, it's really the only big one, the one from which we got an actual call for a bid. There aren't many. We usually get our assignments some other way, but in this case they particularly approached us in the form of a call for a bid. And we got the deal.

The project manager of the buyer organization knew the senior designer S. within CompanySoS because he had given her lectures during her student days, so awareness of CompanySoS's design agency was there before the project. From the perspective of the chosen design agency, referral and a good reputation had already opened the door and provided access to the short list.

So, the most attractive design agencies were identified in the final short list and their **attractiveness, compatibility and competences were evaluated again**. These two agencies were also attracted to the buyer; although one of the designers had sort of rejected the case, since it saw global customers as more attractive. The chosen agency SoS describes the evaluation:

Then we were all invited one after another to the factory. There the brothers and the marketing fellows of the factory units held a hearing. After that we took the offers to them. Yeah, that was the next stage. Was one eliminated or how did it go? From there it took off for us. So we managed to get this and that other big job.

During the sales presentation, the chosen agency SoS had especially used reference cases that were compatible with the potential client. In these cases the customers were SME firms in the steel or wood industry in Finland. The St-case was crucial as in that case the previous customer was a family firm and the extent of their value added was raised by integrating design into steel production with small investments in production. As a result, the customer acquired a branded concept with a heightened profit. Also some wood industry customers were mentioned as references.

Because CompanyKS wanted to increase the extent of value added with design, and sought design competence that could enable this, the main evaluation criteria used during the buyer's initiation processes was about "concepting competence":

We were particularly looking for an expert that could handle systems and concept management. Not someone, who could design singular, beautiful objects, but someone, who could really handle the whole process. We wanted the product to be a much wider concept then just a single item. There were many known designers we could have used, if it had been only one product, but because a much more complex product system was in question, it sort of limited the options. The St-case and P [customer organization's names and brands] were also good references that CompanySoS had to offer.

This quote shows how the buyer perceived that some reference cases showed that CompanySoS was able to design a whole product concept that fits into a production process smoothly. The mentioned references that had good results also showed benefits of relationships between SME manufacturers and CompanySoS. In addition, their special competence related to wood was emphasized as an evaluation criterion by the buyer: *S. [one of the partner designers] is really one of pioneers of design in Finland, particularly in industrial design, and he has a good feeling for wood.*

The experience with the family business was particularly stressed and references indicated that the chosen firm possessed this experience and this strengthened the attractiveness of the focal agency, as the project manager states:

Communication with a family business was also important. I somehow assumed that S. and S. [in CompanySoS] knew how to do it better. The St-case is also a family business, so you know that they have had to work with one before. It's a totally different thing to buy a service, if you're a paid manager than an owner manager; the chemistry between people plays an even more important *role because it's their "own money". That's why you have to suggest someone, who you will, in any case, get along with because the whole project can meet its end if the owner manager doesn't accept your suggestions.*

6.1.3 Exploration of initial common understanding on the assignment and accessing

The consensus on the content of exchange was important to achieve during the early phase of initiation and therefore the propositions for the assignment were discussed already in early interaction. In this case, the buyer suggested some initial needs in order to create common understanding on the assignment. The chosen seller stated that from the beginning it aimed to illustrate – first in the bidding phase and later in the presentation phase – what CompanySoS could provide for their customers and what its conception of the assignment was:

The offer should already tell you what you can expect. You cannot just put something superficial there – the companies want to know what the project could be. You have to have some teasers. Give some for free. When they get a little treat as a starter, it's easier for them to choose.

Also the buyer saw, that one of the main risks was related to forming a consensus on the formation of the assignments, which the buyer had already been concerned about in the earlier phase *"I wondered if they [all the final candidates] understood the assignment correctly"*

In this initiation case, both final candidates had **presented their preparatory solution proposals** during the presentation and offered references to prove their skills and to illustrate their understanding of the customer's business. According to the buyer, the other potential seller candidate, Company X, had particularly invested in presentation and presented their references in various forms in order to illustrate the potential output of their services:

Well, this other firm presented their reference much better. They had really fancy things and slide shows. They had prototypes and final products that they showed – and a portfolio. Some material we could take with us. I really wanted to take something with me because they were so classy.

However, the other candidate CompanySoS, who was later chosen, gave only a short oral presentation on their views on the assignment, according to the project manager:

CompanySoS gave an oral and a very modest performance. Let's say that they didn't try to impress, and they didn't try blowing me away with this visual stuff, instead they presented the core of the plan there, orally. They didn't have any of these cool slide shows, and none of these reference portfolios, it was really modest.

Attraction in this phase based on the general image and on the solid experience of the designers, not on sales presentations. The buyer stressed that the sales presentation was only one attribute in the evaluation and the general picture of the candidates and their conception of the assignment was more significant when the final selection was made.

The presentation of the other office seemed good, but I haven't once regretted my decision because everything has gone so well. The decision wasn't really made based on the interview, but was made instead on the strong image which I had of that firm. If I would have made my choice based on the presentation, I would have probably chosen the other one.

Utilized references such as P and St-case had **provided concrete evidence of the potential concept solutions**, in other words, they described the offering potential of the agency and the content of the assignment.

In the final selection, the selected CompanySoS was totally **accepted** within the firm and the choice was unanimous:

The decision was made directly. I did write a small report on it, but I don't think that anyone read it. Everybody said to me, that this was good and we're going to take this one.

6.1.4 Gaining common understanding and forming the assignment

When the parties started to form a common understanding on the assignment and working methods, information asymmetry inherent to professional services and the inexperience of the buyer made CompanyKS very dependent on the designers' competence:

We hadn't used design services before, so we don't necessarily even know how to draw the kind of a brief they are used to. We just explain orally what we would like, and they have to catch the drift of what we really want based on their experience.

Because the seller provides holistic design concepts for inexperienced customers, there is always lots of **teaching and guiding** within this initiation process, and the seller party sometimes needs to outline the process for the customer. The seller illustrated that the buyer's inexperience impacts on how the content of the exchange is shaped and how the mutual understanding of the assignment is pursued:

Usually it does go that way that the clients don't know how to brief, and are not able to see, what it could be. First we form ideas – and then those ideas are refined to see if they have enough strength in them. After that we start to produce and create a concept.

In order to achieve mutual understanding on concepting in an information asymmetry situation the seller party needs to illustrate the service process and a reference or previous project can be helpful in this initiation process:

We present a pictured story about how a product is been created. This is the reference. How it become this that it now is. Only rarely do we describe how much time it took or how much it cost. That is the other client's confidential information, and it's not to be made public.

Gaining mutual understanding is important because if parties do not share the same vision, co-operation would not be fruitful and instead, some risks will be realized by the customer's business. The customer of the focal case saw many risks within the initiation process:

First of all there's a risk that we end up designing products that are not suitable for the market. Designers are interpreters of the market, but if we for example had done an art blast, it would not have worked very well. Then on the other hand there's a risk regarding how the design functions together with the production – for example, if we would have had to waste a lot of wood, or to invest a lot.

The assignment and the final solution can take several different forms, and therefore the seller tries to describe various options for the solution and illustrates the benefits of each potential solution. The customer is interested in a solution that will get it back its money and then be profitable. Therefore the realistic benefits of solutions need to be presented to **make realistic expectations**. In design, a design can be integrated into a customer's business in various modes and the chosen mode affects how much the design solution provides value for the customer, as the seller specifies next:

When you integrate the design to the investments in the right way, it can evolve as a significant competitive advantage because design makes the effort somehow visible. If you put a lot of effort inside a product that still comes in the same package no one ever knows how much effort you really put in. It just has more features or the performance might have gotten better but it's hard to tell, if a new model isn't launched. In the best reference cases the design has been done in a innovative way, and it has some extra dynamic because maybe the package is a bit different, or they've used some new method, user friendliness, or something that the company hasn't realized before.

In this case, the parties further iteratively developed the idea of the wood element concept and so, despite the challenges originating from the newness and uncommonness of the co-operation, **the common goal for the solution was found and formulated**.

6.1.5 Building trust and communication style as operating conditions

Initiating parties need good conditions to operate in, and the level of these conditions can either facilitate or hinder co-operation. In this case trust and smooth communication were mentioned as important conditions for enabling the parties to operate in. The project manager thought that one of the main risks was related to **communication skills**: and that the designer should be able to interact with the family business and the owner-director and this was already taken into consideration in the earlier phases of initiation as an evaluation criterion:

When it comes to a family business, it's a huge risk as to whether or not you're going to get along with the management. It is probably the first [thing], which the whole co-operation can stumble on. It's common when working with family businesses.

The seller party emphasized the fundamental role of trust between parties because design requires long term strategic co-operation processes, and therefore **being able to build trust** is even more crucial than possessing experience within the buyer's industry:

It is so much more important to launch a confidential negotiation and get started than, for example, to assure someone that we know the industry of the client beforehand. We do things that are close to the corporation's heart. It's a strategically key point because it's hard to cooperate with someone not trusted. Projects take a long time, two to three years, easily. You tend to choose someone, who you trust.

Since the customer faced uncertainty due to its inexperience in integrating design into its production processes it wanted to initiate with a firm who was capable of leading the co-operation process. The reputation and references given earlier had already built the buyer's initial trust in the seller:

One reason, why we wanted to choose them, was the fact that they had had such a long experience and they have had to deal with such novices before. We don't have that experience, so we have to get it from somewhere else. We can't choose any designer, who's just starting up and still rehearsing, although they might have great ideas, but then we don't have the experience of how an actual design project is launched or executed. So the experience was the reason why I was thinking that they would know best how to work with a wood industry company like ours. Another reason was that they are down-to-earth and they think about the production.

Respectively the seller party needed to **strengthen the initial trust in order to enhance co-operation**, and in this trust building references can also contribute. For example they prove that the designers do **bring profitable business to their clients** instead of pursuing self-serving artistic goals, as the designer partner explains:

If we can, through reference cases, prove how much a company profited from design it registers with a businessman. Then they have the feeling that we genuinely want to benefit their business. Design is still considered an art and people still think that designers are difficult artists. If we tell them that our first and foremost goal is to benefit their business, it's usually a good thing, especially as it is true. If we would like to make art, we wouldn't be designing in these forms.

Trust in smooth communication was also strengthened by the fact, that in their earlier projects the designers had successfully integrated the designing and production processes, which requires interpreting the language of "technicians and engineers" and "artists and designers". The project manager of the buyer firm – who was an engineer with a university degree herself – saw that the chosen initiation party was **able to speak the customer's language**:

Like we all know, a designer and an engineer don't make an easy conversation pair. So we wanted designers who can communicate to engineers. People here then trust that the other knows what they are doing.

In this case, reference information on previous customers and cases embedded in the St-case built **trust in the agency's competence** and provided evidence that the agency created solutions that were functional, as the project manager explains:

This St-case was important: it was about So-series and conceptualizing. In that reference the big picture is presented; how does it look from the client's and a production point of view, and how it has benefited the company for whom it was made? In the St-case the agency succeeded in a complicated industry where everything has been done separately before, and now, all of a sudden, it has become really efficient at production and, on the top of that, really user friendly. So they've formed a wide concept, where a lot of products are handed to the customer in a way that means you have a certain amount of components. Then they collect them into one set. This provides a lot of products for the customer. You could see that they really thought about production in the design phase.

The St-case however was not a fresh reference, and designers had already had long careers in design, as their long term reputation indicated, and this raised some uncertainty and slightly corroded trust. The buyer was thinking; "is the long term experience only a positive thing or does it indicate that all the good ideas are already used":

Well, I did ponder whether they had any new ideas for this old industry. I wondered, because they've worked so long, will they find the dynamic, new cool stuff. But we weren't looking for a fashion blast that would only raise attention. Instead we wanted real, functional product management, and they did have some clear success stories in their recent history. That assured us.

6.1.6 Forming the assignment further and proceeding with the relationship

Because trust was built and the assignment was preformed already in the earlier phase of the initiation the initiation moved fluently into further assignment specifications. The product development project was then further elaborated on, as the buyer party narrates:

We have a product development project. So we had an idea of what we were after. Then they came up with these different ways, many different ways to approach it. We started to narrow the options down little by little. Then we got around to what we had to do. Then we made the first, concrete product.

The seller comments on how the solution that was elaborated on from the preliminary offering by the seller and ended up as it did through co-operation:

The trade has been really undeveloped and if you bring in new materials or ideas, which are routine elsewhere, it renews the trade completely. In this case a whole side brand was developed, which will play a key part in the future. We offered that in the first bid to begin with.

The co-operation progressed well and the parties had meetings and co-operation events. Due to their joint product development it was important to see the opposite party once in a while, and therefore the parties met about once every two months. The final outcome of the first assignment in the relationship was a new wood product concept, as CompanyKS commented:

The product is a new decoration, but I can’t really talk about it yet. We started from the wall drape system, and it has some patented parts, too.

6.1.7 Planning and forming the future

In professional services it is typical that several sporadic assignments occur in a relationship. According to the design agency, CompanySoS, this is typical for their business. They usually rely on the fact that when the new relationship is initiated, the customer will contact them again and again as the need for exchange arises. The agency assumes that this might also happen with this new customer:

These family firms usually have long term goals, and they prefer a long term partnership, too. Even if it would have been quiet for 3 years, we know that if something comes along they will call us. We don’t kind of have to worry about it.

Also, the existence of several long term reference customers for CompanySoS illustrates that the first single assignments have lead to a long term relationship, but enhance also new business. The seller party saw that this new customer and the case might be good for references when the agency aims to initiate new relationships:

This CompanyKS is going to be a good reference. All the signs point in that direction.

Another of the senior designers noted that some of the value of the solution is realized only in use and in the customer's long term business and that this might enhance their satisfaction later:

They [benefits of design] are an advantage that the firms realize way after – that they actually got more than what they ordered.

The customer in the case did not emphasize the relationship and said it wanted to stay "free" from marriage. The following citation from the buyer illustrates how they perceived the value and the continuation of their relationship after the initiation:

We'll probably utilize CompanySoS in the marketing, but we don't want to emphasize these designers in any way, because we don't want the product to become dependent on the designer. In Finland, SoS has that kind of a reputation that it's worthwhile mentioning you've worked with them. It's a more interesting starting point to buy a product, if it is the result of a new alliance, especially when an old fashioned firm has suddenly decided to develop and introduce it to the market. A designer does make a product more interesting, and you can justify your price differently. But you can't make it seem that it would have only been made by them because then we become really dependent on them, to the point that we're married to them.

6.1.8 Summarizing the contribution of reference communication and third actors in the focal initiation case

In this case, the activeness and intentionality of the buyer in the initiation were definite. The buyer was active, and the seller and the referee were mainly reactive. The referee contributed to the initiation reactively and provided a referral when asked. However, the seller party provided reference descriptions actively during the selling presentations. The speed of the initiation varied; the early phases of initiation were slow because of the problem of finding a compatible design agency was time consuming due to a lack of information and the experience of the buyer. Later, when the potential initiation parties were bargaining and interacting, the progression of the initiation sped up. The key processes of this initiation were finding a compatible and attractive partner, building trust and the conditions to operate, creating a common understanding on the content of exchange. And because these processes were critical, reference communication and third actors were emphasized in these processes (see Figure 30).

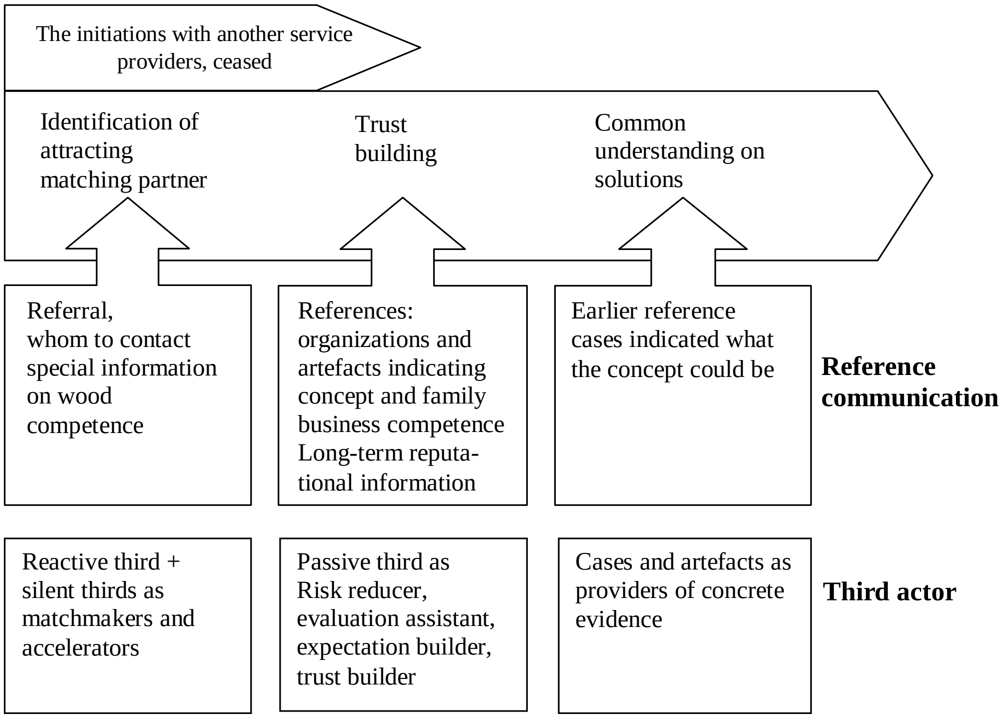

The initiations with another service providers, ceased
Identification of attracting matching partner
Trust building
Common understanding on solutions
Referral, whom to contact special information on wood competence
References: organizations and artefacts indicating concept and family business competence Long-term reputational information
Earlier reference cases indicated what the concept could be
Reference communication
Reactive third + silent thirds as matchmakers and accelerators
Passive third as Risk reducer, evaluation assistant, expectation builder, trust builder
Cases and artefacts as providers of concrete evidence
Third actor

Figure 30 The initiation between CompanyKS and CompanySoS occurring through reference communication and third actor contribution

The buyer was an active information seeker and scanned the available reference information conveyed through the various channels thoroughly. In this case the main reference communication types were reputational information concerning the agency and designers, references and the oral key referral.

In this case, relevant reference information concerned particularly the benefits of the offering and the relationship, the functionality of the offering and the supplier’s capabilities. The reference messages’ information content concerned the supplier’s ability to work with a family business, to handle wood, to create new concepts, to communicate with technical people. In the early phase of initiation, a problem solving information was needed and referrals guided the buyer towards potential wood industry designers. The customer reference from the wood industry illustrated that the agency was capable of designing wood and the reference from the steel industry illustrated how the agency was able to increase the value added of the customer. In other words, these references illustrated the different kinds of dimensions of the seller party’s competences and indicated their compatibility and matching. Also, references in the family business and among SMEs indicated compatibility. The reference information on previous cases also indicated that the chosen “design artists” of the agency were production oriented and that their interests were to integrate design into the wood industry at the strategic level, not to provide “decoration design”. Reference information about the potential offering concerned issues, such as; how the process could proceed and what kind of solutions, as a result of co-operation, could be provided; and how the extent of value could be provided in material industries, when the knowledge of the steel industry was transferred to the wood industry.

The reference information was mostly given in oral form (the referral and the oral presentation by the agency). However, the buyer also acquired references through web pages and later faced audiovisual and observational references in sales presentations when examining the other potential agency CompanyX. The reference information provided advice, facts and the promotional references given by the other potential agency CompanyX, which was rejected. The scope of the reference information was quite narrow since it concerned mostly information on special experience and competence about concept design, wood design and experience with family businesses. The age of the information varied as some reference cases were old, but new reference information was also used. In this case, open reference information from web pages was used but informal sensitive reference information was also acquired through referrals and oral reference presentations. However, the buyer indicated it faced problems because it was not able to receive confidential reference information through industry experts.

The involved main thirds of the case were the reactive key person in educational OrganizationT and the key references from the St-case and P that presented “passive” thirds, since they were the customer organizations whose name was employed. These key references represented both earlier customer organizations and earlier successful work and assignments at the artefact level. The blurred group of industry experts was not useful in this case. Also some inactive referees existed who refused to give a referral because of their position in non-profit organizations.

The main roles of the third actors in this initiation were as access providers (the referral provided access), matchmaker (the referral indicated the matching agencies and the key reference cases indicated compatibility), trust builder (the references indicated that the agency is able to handle the project and is trustworthy in a sensitive, strategic process). The key references and reputational information acted as evaluation assistants by indicating that the focal agency possesses the relevant skills to work with a family business, and to work with a strategic project in the wood industry. The previous works conveyed through reference communication formed expectations and served as an expectations builder. The thirds also indicated the experience and success of previous assignments and the relations of the focal design agency, and thus they also acted as risk reducers. One of the key reference cases acted also as provider of concrete evidence, since the case illustrated how design could be integrated into material production in order to increase profit.

6.2 Grain manufacturer – Engineering agency

The initiating parties of this case are CompanyV as the customer and CompanyE as the seller party. The customer organization is CompanyV, which is a grain manufacturer and the seller organization is CompanyE, which is an engineering and technical consultancy agency that plans ships, food and pharmaceutical industrial plants and biomass handling plants. CompanyV wanted to extend its production line and to do this it needed an engineering agency.

The background and the usual initiation activities of the focal actors are described first. The seller describes how its "typical" initiation process proceeds; the seller needs to actively sell, but the need of the customer needs to emerge naturally during the process:

Often the projects that have come through have been started because I have been in touch with the prospect company. I have introduced myself to the management, production management, technical management and to the CEO. After that it usually takes a while. The need develops. They connect my presentation and the need, and then they contact us. This all happens with a short time lag. We don't necessarily know, what the customers have on their minds, and they don't usually want to describe their investment plans, because many of them are stock companies. It is essential that we create contacts and get around and meet people. When they get the need, they get in touch and usually ask for an offer. It often goes like this in our business.

The buyer describes how it usually starts to initiate, how it seeks information and evaluates compatible partners:

First we look from the Internet. Then we phone around and give some presentation invitations and we ask them to visit us. Personal contact is important too: usually somebody has some connections and knows backgrounds. Regionality is also important: It's a good thing if the agency is physically close to the project site, because the designer goes to the design meetings, and you do not want to drag a designer to the other side of Finland. Companies are asked to tender bids for the big projects. There are naturally only couple of agencies, who design silo facilities like this in Finland, and all are known by reputation. Then we of course go through the extent of the project in question, so we can ask for the whole contract offer and for hourly rates. Some hourly rates we might ask to be reduced, if we know that this specific process is going to take a hell of a lot of hours. And usually then we're happy with the rest.

In this case, the initiation followed, to some extent, the “usual” unilateral initiation path of both parties, but in the following, their dyadic initiation process with the impact of the third actors and the reference communication is illustrated more closely. The key initiation processes are highlighted

6.2.1 Identification of the need, finding an attractive matching party and the building of trust in competence

In this case the initiation started when the need for technological consultation was raised. CompanyV was aiming to extend its ‘pure oat’ production due to their new letter of intent with CompanyR. ‘Pure oat’ is a functional food that fits the diet of persons suffering from celiac disease. Oat is a challenging grain type to fabricate since the ‘pure oat’ grain is not allowed to mix with other grains because the persons suffering from celiac disease will be affected by the other grains. CompanyR had a good brand for pure oat but did not have enough pure oat production so it wanted CompanyV to be its subcontractor for pure oat. The old production lines of CompanyV were manual and it needed to increase its production capacity. CompanyV needed to start the project in order to extend the production line and in this it needed an engineering agency that was capable of planning the new facilities and production lines.

The buyer party of the case had already earlier planned to extend its production line. At that time it had started a project with an engineering agency since the key persons of CompanyV had received a referral from a colleague to co-operate with this particular CompanyP. However, this initiation with CompanyP and the project were not successful. Soon after the launch of the project, CompanyV noticed that CompanyP did not have the special capabilities and competence to plan oat production lines and the assignment did not proceed as hoped. The regional manager narrates the course of events before the focal initiation:

We had some new people on our oat mill process and they had used CompanyP a lot, and they recommended that we should take CompanyP. I said that I didn’t think that there was anyone at CompanyP who would be familiar with this kind of process. They don’t even know what oat is like. They had maybe done something somewhat similar when they had worked on the Po separation facility in Rland. Then we took a man from CompanyP on the job, but we had to get rid of him after a month.

Due to a new letter of intent, the production line extension was a must and thus the **need** became urgent. The new partners CompanyV and CompanyR started to plan their future co-operation with pure oat. When the managers and technical experts from CompanyV and CompanyR negotiated, a new referral about a suitable engineering agency was given by one of the technical experts, K.T. from CompanyR. This referral thus emerged from an expert person in the value-chain who had experience of grain process engineering. K.T. gave the contact information and even named the engineer within CompanyE who had earlier designed a similar kind of project. The referee K.T. describes the situation in the following way:

We had the first meetings with Suomen CompanyV and there was the technology group including the CEO of Suomen CompanyV, our product development manager and their regional manager. There we also created this technical group, in which I was a representative of the company I work for. I mentioned CompanyE, or actually I sold CompanyE to them. I gave their contact information and asked them to call there, said that they have the best know-how in this industry and that they have partly designed our oat mill at one site we have. Additionally, there recently was a project in Russia where CompanyE had designed an oat mill. So I knew that they had the know-how, and therefore suggested them.

The motivation to recommend CompanyE and especially engineer M.H. was based firstly on K.T.'s good experiences with engineer M.H., which gave evidence that this designer was capable and experienced, and secondly, the sense that CompanyV's schedule was tight:

I remembered that CompanyE had done earlier a similar project, and therefore I knew that work had been done already, which was good because certain things had to be sped up. The time in which the designing had to be done and when we had to have the first estimate of cost out was really short. So, nobody else could have done it.

This kind of launch of initiation differed from the usual initiation path of CompanyE. Normally, the seller party of the case initiated through "slow" initiation processes. In fact, it bases its customer acquisition processes mostly on creating awareness and access through continuous marketing communications and networking. CompanyE has updated its web pages, it utilizes direct marketing and sends newsletters to potential and existing customers and makes cold calls. Awareness is created with b-to-b marketing communications practices, such as industry publications related to the food industry and chemistry, and the firm also advertises in publications that are related to the industry, such as Mallasuutiset. According to the Sales Manager, the role of referral in a customer acquisition is difficult to estimate. Also, bidding is an increasingly important tool in initiations and customer acquisition for the seller party, and if the agency does not answer to a call for a bid, this usually creates a negative image. These diverse marketing communications practices are the seller's 'initiation trigger activities and they serve as the foundations for later negotiations' according to the Sales Manager:

This kind of communication is the base work for the sales presentations and the base work that will encourage the customer to call us. And on that base we arrange a meeting. Then, in the meeting, we get to know one another.

So, in this case, the **awareness and initial attraction** was built by the third actor through a referral too. In order to initiate it was necessary that attraction was present, and this is described next. The attraction in this case is related to the seller company's matching niche expertise within the grain industry. This required industry was CompanyE's core competence because, according to CompanyE's Sales Manager:

Our competence is in the refinement of the products of renewable biomasses and this appears clearly in our reference list where work for mills, grains, malts and potatoes are highlighted. Our projects usually have something to do with refining renewable natural resources into food products and into chemicals.

The seller's position in the market is "expensive but capable and has the required resources" and therefore the seller sees grain product producers and large customers as especially attractive strategic customers and actively pursues such matching prospects. As the sales manager describes:

We're no subcontractor designers, instead we provide the production equipment to the final client, and that's usually a more profitable business. It has better coverage, but you also have to have more value to offer. This is because if you want to be on top of the game, you have to focus and develop your number one expertise. If you meddle with everything and step in everywhere, it limits your resources and destroys your profound know-how. The reason, why we worked with assignments in cheese places or dairies, or have worked with a convenience food plant can be traced back to the fact that business has otherwise been a bit slow.

In other words, the best matching customer for the seller is a relatively large player in the grain or flour mill industry who is willing to pay for the competence of the service provider. The Sales Manager continues:

Our price level is high, so we have to choose our clients according to that. Because we are a large agency there's no sense in fighting over little jobs, because our structure can't handle little firms that don't even have the money to run their everyday business. With them the conversation concerns the price only. On the other hand, there are clients that are well established and large companies and they make big investments, and our interest in them is huge.

According to the Sales Manager, even though the seller has their strategic prospects, it is difficult to reject non-attractive customers. The seller said that they give bids in one way or another, or if a bid is not given the seller usually contacts the customer and explains why they will not give a bid and conveys the message that the agency still appreciates the customer.

In the eyes of the buyer party, CompanyE was not the only attractive agency. CompanyV still appreciates and was attracted by other agencies, as the Regional Manager illustrates:

Yes, we did go through some different designer options. We have used CompanyGT and CompanyP, and all sorts of consultants, and I might have thought for sure that it could've been CompanyGT too. The buyer had thought that a small one person engineering agency S.S. could have been chosen since it had trust in its competence. However the buyer party also saw that in this case, a small agency could not handle large assignments with a tight schedule.

In this case the attraction was closely related to trust creation with regard to technical competence. The buyer party had earlier visited CompanyE and knew the reputation and background of CompanyE. **Initial trust** building was based on the referral and existence of the organizational reference. The referral came from a large grain and mill firm that was an existing customer, and this indicated satisfaction and trustworthiness. On a personal level, the technological experts within CompanyR's were assumed to be able to evaluate what the best engineering firm in such a project would be. The Regional Managers states:

CompanyR has these kinds of processes, so they do know the process. CompanyE has done them, and their previous experience weighed heavily in their favour in this case.

The buyer emphasized that they had particularly initiated in order to acquire special technical competence that would contribute to the quality of the product line planning and speed up the planning process. Because the chosen firm fulfilled these criteria, it was an attractive one:

We buy the special know-how that is needed in the planning of this kind of project. The know-how also shortens the process and timetables. You can gather the relevant information on your own as well, but there's a huge debate about 'how are we going to do this and that, and how to put these together?' They have the know-how, the experience and clear processes already, so they can take a short cut. In comparison, if you choose some other inexperienced consultancy agency and they have to go through every offer, all the machinery, every interface, and everything that goes with it… Well, that means, in a big project like this, weeks, if not months.

Thus, information embedded in referral, references and reputation was important when the buyer evaluated the attractiveness of the agencies and the matching aspect and started to build trust. The earlier initiation with another agency had failed because CompanyP lacked special expertise in oats, but this time the references and referral indicated a better future with the referred agency:

Of course the reference is important, because it shows what they have done. At first you have to check if it is totally alike or if it is, for example, more for fodder, foodstuff; what kind of hygiene limitations they have... An earlier case failed, I *think, because our process was this water process, but CompanyP didn't have experience of that expertise, as I thought.*

CompanyE was chosen after negotiations. To summarize, the buyer was attracted because their awareness and initial trust was built on the competences and the resources of CompanyE. The advice and evaluation in the form of a referral from the expert client was appreciated and the reputation and references also stressed the good experience, competence and co-operation skills of CompanyE:

K.T. knows this designer M.H. and the other designers, who had designed the earlier projects. If CompanyR has used CompanyE and is still using them, and they have all of that background, which I also knew, then without a doubt I trusted them. I thought that as a person this M.H. must be a much better choice to work on these processes than the one at CompanyGT.

6.2.2 Accessing

In access creation, social capital and relations are often capitalized in the industry and with these links the actors aim to accelerate the initiation process, as the Sales Manager notes:

With different kinds of contacts one tries to create preliminary relations, or if our CEO knows some other CEO, or a person in a leading position in another company, that too can have a smoothing effect. It eases the progress.

In this case study it was found that social capital and contacting facilitated **accessing**, but that this was done by the external referee. After the referral given by the technical expert K.T., the project and the choice of technical consulting agency were boosted and the initiation proceeded rapidly and other potential suppliers were excluded. The reference position of CompanyR and the referral and the linking person K.T. "opened" the door to CompanyE by building the initial trust and increasing attraction. Furthermore, the referral also opened the door to CompanyV and facilitated access to CompanyE's resources within a tight time schedule.

After the first meeting, the referrer K.T. said to CompanyE's Sales Manager that he had given the contact information and the name of designer M.H. After a couple of weeks, the Regional Manager from CompanyV phoned to CompanyE's Sales Manager:

Then I called to H.H. [sales manager] and told him, that we would start up this project at a fast pace and we should contact people, who could do this. Then I asked for the hourly rates. He sent them. I was like, "yeah, now we'll get started". We needed quite a lot of work and quickly. That also was a good thing that I knew that and that they had the drive to do it. I also asked, if they have the people to do it. He said that they probably have. Naturally, CompanyR is a *priority, when clients call. I knew that if we were linked to CompanyR's business we would be okay from there on.*

6.2.3 Creating a common understanding of the assignment and decreasing risks

After the initial contacts, the parties started to build a common understanding on the content of the economic exchange. To reach mutual understanding, the seller needs to understand the customer's needs and business, and the customer needs to understand the requirements of the focal assignment and costs. However, it is normal that in the beginning of a new relationship and new project it is difficult to define an assignment and gain mutual understanding. The Sales Manager describes this problem as follows:

The extent of the project isn't necessarily about my knowledge, or the clients. We just start to define it. The client may have some kind of an idea. Actually the definition of the extent is the biggest problem at the beginning.

Therefore, in this initiation process, the parties started to **communicate their perceptions on the content of exchange** and the required solutions more precisely. The engineer in the focal agency describes how new projects are formulated when the parties initiate:

The client contacts us and tells that they need something of this kind. Sometimes they don't have any specific ideas except that they have this product that they would like to market, and then they ask; how should they do it? There's our square one. Then we brainstorm with the client. They have a lot of expertise information about the equipment that they possess. We go through things with their experts. After that we usually make a plan, which shows the process, and make a preparatory plan out, in which we show the need for space and other things. It's a really interactional relationship at that point. So in other words, we always brainstorm together, if the opposite party has expertise. If they don't have the expertise, it's a different story. Then they'll just announce that they need this kind of thing to be done. Then we have to start from zero and brainstorm it here among ourselves and go and present by asking: Could it be like this and what changes do you want?

In this case, the customer was quite experienced and therefore the parties sought dialogue and mutual understanding on the required solution. However, the existing facilities of the client constrained the planning of the production lines and dominated the problem solving. The buyer wanted to utilize its existing facilities and did not want to invest in new buildings. This overshadowed the forming of the solution as the engineer M.H. describes:

They knew exactly what they wanted. They had a process expert on their side too. Partly we used their old processes and, based on that, we started to develop a new process. There were a few specific boundary conditions. For example, we had to use old buildings, which brought a new feature to it. We worked more on the terms of the building than the process. We tried to take advantage of them, but we didn't succeed very well, because the buildings were the sort that they didn't quite work for the purpose.

The buyer described how the desired solution was slowly formed through dialogue and information sharing and how mutual understanding on some issues was gained:

We had a huge amount of old space that was impractical for this. We thought about splitting the process and CompanyE checked it. Then consultant S. S., who has spent his working life work in foodstuff production, checked it, too. The result was that the process couldn't be split. We had asked the equipment supplier about the issue, and they were splitting it, too. Then we faced the fact that it couldn't be shared. Material must be lifted up once and after that the manufacturing processes have to be executed while going down. You can't move it around in the middle. That was the problem there. Over that CompanyE decided that we would – well, it was a joint decision – that we would build a new tower. It had to be built. We couldn't get around that.

However, this joint decision making was also affected by an external influence: when parties were forming the desired solution and specifying the deal a third external actor was needed again to gain a mutual understanding on the solution. The third actor K.T. – who made the referral – saw that in this phase of initiation the parties had problems in sharing the same vision on the investment requirements. Therefore he took the representatives of CompanyV out to their own facilities, which had been designed by CompanyE years ago, in order to show how large the building needed to be if the production line was to be extended. Also, other details of the assignment were specified after this "reference visit" organized by the referee. The third actor K.T. describes the visit:

It was actually a general excursion. They were planning to use particular equipment that I knew was going to be larger than they had imagined. When they had the building ready to go, I said, there were going to be problems. There wasn't enough height. So we went to our facilities in Ntown to have a look and make them understand why this was a fact.

During this untypical "reference visit" organized by the third actor, the buyer understood the investment requirements because the existing factory as a third actor artefact demonstrated the realized solution. However, the visit and the factory also highlighted a new issue on which the initiating parties did not share understanding. The manual production lines needed to be automated, but the parties had different kind of visions about the grade of automation. The buyer's earlier perception was that they did not want such automated production lines as the previous customer possessed. Instead, the plan should be customized to fit their lesser needs and that the production lines should be more manual than in the previous “reference” case. This is described in the following by the buyer:

We went to their site in Ntown to have a look and the surroundings were amazing – a bit different to ours. They had volume. Night and day, even on Sundays they push it. I have to say that we ran into another problem there. CompanyE has done huge projects, but now we’re supposed shrink it down. Look it from another perspective. I don’t think it was at all clear to everyone that we only need to produce only a small volume, that automatic lines were not needed; only the machines and the people who use them. The facility at Ntown site is indeed fully automatic and the competence enormous, but we’re in a different league. The same process, but on a different scale.

When initiating parties seek common understanding on a solution they also need to **prevent the main risks from being realized**. The engineer from the seller agency noted that the seller party, an experienced expert, needs to utilize its skills in order to reveal and articulate the potential risks of a pursued solution. In this case, the ‘pure oat’ caused extra challenges for the planning and therefore the agency’s and the expert’s experience was required particularly in risk reduction. As the engineer describes it:

The experience from similar processes produces know-how about what’s relevant and what isn’t. Pure oat is a very special case and if you know the process, you know where the problems can pop up. You can localize them. Also in this case the biggest and most important thing is the knowledge about where there might be problems and what you need to think about beforehand.

In addition, if the parties do not share the same vision on the assignment, the costs can increase unexpectedly or the outcome can be unsatisfying. The realization of such a situation is perceived as a risk by the customer. Therefore the creating of mutual understanding requires an active role and resources from the buyer, so that the risks are not realized. The buyer illustrates the situation:

In this kind of a big project you have to keep an eye on everything and you have to have the time and the commitment to supervise. I have always been afraid, in the way that, it’s a hell of a risk when you employ a big office like this. There are many people on the job, and they give results fast, but they build up expenses quickly. If you don’t have a mutual understanding and the starting values are off, and they’re going the wrong way the large expenses mount up, even though they were supposed not to go that way. There’s a huge financial risk there. You have to ask daily, who is doing what and what to do to avoid doing work in vain. If you don’t say “not that, we meant this”, you will have a big bundle of pictures that you can toss in the bin.

The main risks of the focal case were that oat dust is extremely explosive and therefore technical competence and knowing the relevant regulations were important. It was extremely important that the safety regulations were taken into account when the oat production lines were designed. These issues were taken into consideration already when the buyer evaluated and chose the appropriate matching agencies but these issues needed to be stressed again when the assignment was specified. As the buyer stated:

In this project we have come up with the new atex-regulations. Less than ten years ago a silo facility like this blew up in France. 15 people died. That dust is so flammable – it burns faster than gunpowder. A silo goes up like a bomb after that. The municipal consultants were really specific that the regulations are followed. They have these facility classifications, which define how explosive it is and how much dust there can be. The design agency has to know the classifications and the legislation. Small, private design offices don't probably know the regulation nor have the time to go by them. They are more like drawing offices – unlike CompanyE. Actually, I did ask from them how well they know the atex-regulations. They said that they know them and know how to take them into consideration.

Furthermore, if the production plant does not operate in an expected and estimated way, it will be a great financial risk. Because CompanyE particularly provides for production plans whose risks and benefits are realized in the long term, it needs to be confirmed to the buyer what the offered solution is and what the capabilities of the agency are for providing working solutions. References are important tools in this because they illustrate the functionality of the solutions and the competence of the agency, as the sales manager illustrates: *The client buys technical expertise, so they can improve their production facility or a production line. They need special skills for it. References are really important in order to prove the know-how and to prove the functionality of the previously designed facilities.*

The customer with a lower experience or knowledge cannot easily examine how particular equipment and plans fit in a certain environment or circumstances, but a skilful agency with long experience should know such issues and utilize this know-how when a solution for a customer is produced, as the buyer party describes:

An advantage of a large design organisation is that they have a specific person to do almost every specific task and these persons know how to specify the details of the case. If you discuss with suppliers on your own, you don't remember that for example the pressure of the steam has to be 6.3 instead of less than 4 – and that we don't have that kind of pressure. Well, you'll realize that, okay; we have to renew the whole thing in order to have the required level of pressure. Then maybe you notice that you don't have the water for it. Or that we *don't have the equipment to process the water, and so on. So it can expand financially because of required investment.*

6.2.4 Building more trust as operating conditions

In this initiation case, building the conditions necessary to operate and ensure the creation of trust were stressed as important initiation processes. For example, the engineer M.H. who designed the plans emphasized that **trust** is a crucial base in problem solving. The customer needs to have trust in the seller's competence in order to count on the solutions provided by the seller in an information asymmetry situation. Earlier reference cases also have an important role in this process according to M.H.: *When it comes to the building of trust, the earlier cases are a must. With them you gain the trust of the opposite side and they think that if you have dealt with a similar case you know what you're doing. So you sell your own solutions with the image that "this is how it was done before and it worked well" or "when it was done that way, there was trouble like that".*

Trust in the seller party may emerge also if the agency is capable of revealing latent risks that may turn into expensive costs and problems later. Delivering information and solutions that might be undesirable but valuable for the customer decreases the long term risks of the customer. Thus, such attention to detail may increase trust in the expert person and organization and its/his/her competence and enhance the value of the relationship. For example in this case, according to the referee K.T., CompanyE is an expensive but rigorous agency which decreases the risk of unexpected expenses in an investment, and thus it benefits the customer in long run:

CompanyE draws up its plans according to every paragraph of the law. Everything is taken into consideration, explosive atex-regulations, etc. They know everything, like if you need some gas devices or something. They make the plan according to the paragraphs, so it usually extends into a wider scheme and a more expensive one compared to another company, but that's because another company wouldn't know the required details. Actually, a few projects of ours have already ceased in the groundwork stage, when the costs have built up from the original calculations. But on the other hand it's good to realize the real costs at that point, not later on when you're already building and far along with the plan.

The initial trust in the skills of the seller was already built on the basis of the referral, and the earlier reputation among peers and reference sites with regard to CompanyE evidenced that they had the required special competence and ability to provide long term value for the customer through good production design. The buyer party stated that the recommendation from the experts within the industry particularly revealed CompanyE’s special competence in oat production and flake manufacturing and its personal expert resources, which were critical in trust building:

CompanyE is one of the strongest in grain processes, and particularly in the flake production. And they have personnel that are capable. The know-how always personifies. They have an expert who has done these special processes here and there. The know-how, that is in one’s brain also comes and goes with that person. I don’t know people from CompanyE that well, but I trusted that CompanyR and K. T. knew whom to trust.

Trust in the competence of an expert as a precondition for instigating operations was emphasized in this case because the customer had already had one bad experience with another agency. Because the referee as the third actor had trust in CompanyE, based on their good experience and because it had also faced problems and bad experiences with another agency, he was willing to transfer this perceived trust in order to facilitate the business of the agency, which had shown its trustworthiness and special competence:

CompanyE has a lot of guys who have carried out engineering projects for the grain industry. They know the requirements; what must be done. For example, at Ntown site we did one project with another agency. We had to teach everything to them ourselves. Then to top it all the project went so badly, so that CompanyE had to come in and save our necks. So, they do have the knowledge.

Trust between persons builds the right conditions to operate, especially later when the first assignment turns into further assignments and a long term relationship. Tight links and knowing people saves time and other resources in further projects, as the engineer M.H. describes it:

Things become personified, when people get to know each other. In a long relationship, we know the client’s needs and factories and the client counts on that.

6.2.5 Planning and forming the future

As a result of the initiation processes, CompanyE made two different kinds of plans for the production line extension: they produced blueprints for both an expensive automated line and a less expensive, less automated line.

The engineer from CompanyE says the interaction and initiation between CompanyE and CompanyV proceeded well, even though the solution induced increased the amount of investment:

I must say, that the co-operation went really well. We were accepted with great openness. Hopefully, I gave them what they wanted, and they were able to pass the expertise on to their processes. Of course the estimate of cost increased *and, it became more expensive than they had expected the whole process to cost. Always, when companies make cost estimates for investments and make investment decisions, they have some kind of an idea of what it could cost. Then when we go further with the design and with a more accurate design we can draw a more accurate estimate of the costs. It went like that for this project too, many times it goes so, and ends up more expensive than they have thought.*

Even though initiation progressed smoothly to the first assignment it has been noted that some challenges might occur in the future of the relationship. To predict the future of the relationship, the parties might continue co-operation since CompanyV and CompanyE fitted each other due to their industrial compatibility – grain industry and mill industry. However, the referee was nervous because about the referral action and matchmaker role, since he saw that the parties were also mismatched on some issues during the initiation. This was because CompanyE was relatively expensive for CompanyV and CompanyV was less anxious to invest than CompanyE usually expected from its clients, even though the grain mill's expertise matched the need. Furthermore, the new customer CompanyV and the existing customer CompanyR were not alike as customer firms, even though they were in the same industry. The "matchmaker" recalls the situation in his own words:

I've been working in this factory, where they have functional equipment. Not much work is done by hand. Especially when it comes to foodstuff, one hardly ever dives in and just shovels by hand in order to do the job. Again in CompanyV they have gotten used to do these little inputs by hand. They move things around by hand… Add to that the fact that CompanyV is owned by the state, although we are nevertheless a private company because we're a listed company, so the working patterns are a little bit different.

6.2.6 Summarizing the contribution of reference communication and third actors in the focal initiation case

In this initiation case, the intentionality of the buyer to initiate was clear because the buyer was seeking a matching engineering agency with special competence, and therefore the buyer was quite active in the initiation processes. The third, the referee, was also active, since it gave a crucial recommendation to contact the seller party. The speed of the initiation was relatively quick: because the first initiation with the first agency went wrong and the next initiation needed to be accelerated.

In this case the most important key processes of initiation were searching for and evaluating the attractive partner by assessing its matching competence, former assignments and by building trust, during which thirds and reference communication contributed to all those key processes (Figure 31).

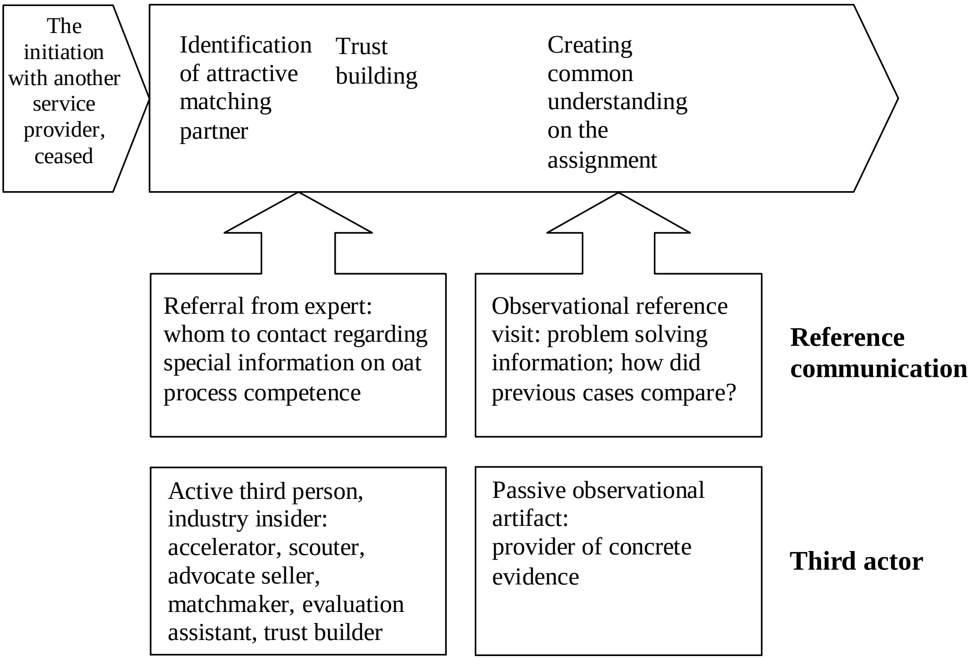

The initiation with another service provider, ceased
Identification of attractive matching partner
Trust building
Creating common understanding on the assignment
Referral from expert: whom to contact regarding special information on oat process competence
Observational reference visit: problem solving information; how did previous cases compare?
Reference communication
Active third person, industry insider: accelerator, scouter, advocate seller, matchmaker, evaluation assistant, trust builder
Passive observational artifact: provider of concrete evidence
Third actor

Figure 31 The initiation between CompanyV and CompanyE that occurring through reference communication and third actor contribution

In this case several types of reference communication were used within the initiation processes: the referral was the key reference communication action, but also reference cases and reference artefacts, reputation and a peer communication network among peers supported the initiation. The referee was an active sender of reference communication messages and the seller party was relatively passive and did not actively present other references, because the referral opened the door.

The reference information mostly considered the compatibility of the parties, the offering and the trustworthiness of the seller. Information about offerings (automation level, required facilities, grain process) and problem solving were important because this kind of information helped parties to form a mutual understanding. Information on the seller (particular expertise on oat processing, experts as resources) was crucial as was information on processes concerning trust building and matching. The information content of the reference communication messages especially concerned the offering (the information on solutions), the supplier (oat processing competence, the expert person as a resource, the competence to provide the rigorous plans), compatibility (matching concerning the oat processes, non-matching concerning the size and willingness to invest) and the problem solving situation (finding the most suitable production line planner, who must also be available for this kind of tightly scheduled project and determining how can the old building be utilized in the focal problem solving situation).

The form of the reference information was mostly verbal but also observational (the visit to the factory). In this case, the buyer explicitly said that it does not appreciate reference descriptions. The information consisted of mostly evaluation and advice type reference information, and was not very promotional. The scope of the information was also very narrow as the information concerned the special requirements of the case, such as oat competence, water and steam processes, and the name of the expert person. The reference information of the case was based on long term experience and old references and not on fresh experience. In this case “old, sensitive and personalized” reference information was conveyed through social channels through a referral and reputational information.

In this case, several thirds were involved in initiation processes: The referee was an important expert who acted on behalf of the organization and the industry. The existing customer organization CompanyR was an important third actor on the organizational level. In addition, the previous factory designed for CompanyR acted as a reference artefact and was crucial in the case. With reference to the network position, the referee K.T. and CompanyR were vertical actors in value chain since they were customers but they were also horizontal actors in the grain industry. For example K.T. was a horizontal expert peer for the Regional Manager in CompanyV. The reputation and the expert community of peers in the Finnish food and grain industry can be considered to be relevant communities of thirds.

The referral by the active third was motivated, because the customer was satisfied with the previous work of the seller and the personal third also wanted to help the peer in problem solving and accelerate the process in which it was vertically connected.

The involved thirds participated in the identification of matching the parties and building trust and forming the assignment. Thus, the personal third acted as an initiation trigger. He served as matchmaker, accelerator, access creator, advocate seller, expectation builder, trust builder and also organized a visit to the factory that provided concrete evidence. In this case the reference communication and third actors provided access for both parties: CompanyE did not need to strive for this customer because the referral by the third provided access to the customer. The referral also opened the door to the customer to enter the agency.

The referral also accelerated the initiation. The referee was also the matchmaker who evaluated the compatibility of the actors involved in the initiation. Third actors – the referee, the reference customer, the artefact – also acted as trust builders since they spoke for the skills of the agency and showed that the service provider was able do the case well with its professionals' experience and that it could provide successful plans. The reference visit to the reference site as an artefact firstly provided concrete evidence on the solution: it showed the customer that it really needed to invest in a new building and it also provided new information on incompatibility by revealing that previous cases were more automated than the customer wanted to their case to be. The third actors also helped to estimate prices, investments and solutions, and thus they can be seen as acting as evaluation assistants and expectation builders. Furthermore, third actors showed that CompanyE does have experience, and that the customer would not be wasting its money. The artefact third actor provided concrete evidence and illustrated that in an assignment related to the focal initiation case new buildings need to be constructed.

6.3 Fitness high tech firm – Design agency

The initiating parties are a fitness high-tech firm, CompanyNT from Oulu, which is the customer and a design agency, CompanyD, which is the seller party. CompanyNT developed an invention, a bone exercise monitor but, in order to productize and commercialize the invention for consumer markets, the innovative product needed to be designed and transformed and given a user interface and for this it needed a design agency. The initiation process is described and analysed next and the key initiation processes are highlighted.

6.3.1 Identification of the need and the identification of the attractive matching party

The initiation started in the following way: The early version of the new innovation was shown in a television programme and the CEO of the industrial design agency CompanyD noticed that the innovation was interesting but it still needed to be designed in order to become a product. The CEO describes how he became aware of the prospect and how he contacted CompanyNT:

I saw a clip on TV about medical research that had had interesting results. There was a woman jumping up and down with a black box strapped to her waist and I sort of wondered it, but the research had some interesting technology, wireless data transfer, so it made it an interesting case. I wrote the name of the *firm, CompanyNT, looked it up on the Internet and gave a call to A.J. They were located in Oulu. J. said that I was the only one who travelled up there. We had a talk and I introduced us.*

During the selling presentations, the CEO of CompanyD presented several references that were related to the potential customer: *From our references I presented the basic stuff, the technology stuff, for starters N. and P.* The buyer admitted that these references raised their interest and increased the attraction.

Through these direct approaches and interaction, the **need for the design project emerged** and **awareness between the parties was built**. During and after the first negotiations with CompanyD, it became clear that the design project could be executed within the Design start programme. CompanyNT became interested in the programme, because it offered an easy and cheap way to make good use of design in their business. The Design Start programme is managed and partly funded by Employment and Economic Development Centre and therefore CompanyNT received some names of industrial design agencies through the centre. The seller party notes that the programme is an effective way to initiate with SMEs:

In these Design Start programmes, the profit is much lower than usual, but on the other hand, it's a good way to get new small and medium-sized companies as clients and teach them how to use design.

The design agency as the seller party was actively **interested in the customer**, because the customer's industry – fitness related high-tech – and size fit its strategic focus. Moreover, the case was interesting and attractive. The CEO explains the kind of prospects and strategic customers they find attractive:

We have clearly focused on some industries. Our clients have a certain size and they use a certain amount of money in product development. Then we have specialized in three areas, which are electronics, medical equipment – in that area we have big clients like bigG – and, construction.

The seller noted that it was attracted to CompanyNT particularly because the case was exceptionally interesting and it could be used as a good reference in the future when the agency wanted to find new high-tech SME customers.

The initiation partly followed partly the usual path of acquiring customers, which are described by CompanyD in the following way:

A new client can find us in three ways, but the ways can sometimes join unite. First of all they can call us, and then they have some background information, like a referral or a visit to our websites. Then we have a systematic sales process in which we map the firms and call them and ask if they would like to meet us. The third way is via the Design Start programme at the Employment and Economic Development centre, where small and medium-sized companies can pick a consultant.

Thus, in this initiation both active prospecting and contacting and the Design Start programme were related.

The first presentation and negotiation did launch the initiation process but it also launched the buyer's active information search: The Director of CompanyD started to gather information on potential agencies and also asked for the previous experiences of industry actors through social contacts. One of their peer industry actors also recommended CompanyD.

After these early initiation processes focusing on the initial need identification, awareness and attraction building, the buyer started to consider and **analyze its needs further**: Would the design project be a decoration project or would it be a large project that aims to create a designed customer interface? The definition of the need impacted on who were the most attractive partners, as the Director states:

At first we decided what we had to decide what we looking for; would we look for the design, or would we look for the design and a user interface? We went through all the design firms and their strategies in Oulu. We came to the conclusion that none of the firms in Oulu had the process description we expected.

Identifying the attractive matching design agency is not easy because the design industry is so fragmented; the seller party described the diversity of the competitors in the markets:

The different industries intersect nowadays: the design, technique and advertising agencies offer holistic design. They offer the same kind of design, but they emphasize different things. In this situation, clients are quite mixed up about who they should choose.

However, through word-of-mouth, informal information sharing helped CompanyNT to find matching attractive agencies, and especially a referee within a peer communication network contributed the information search. These practices are common and effective ways to share industry specific information, as the seller party had also noticed:

Our referees are usually the people in product development, who change jobs and take their knowledge to these firms. The product development people have links to each other and they pass information quite efficiently. If we add to that the subcontractor networks, such as the composition and the product network, such as CompanyE, which provides referrals, then these kinds of subcontractor networks are damn important. This is because when the clients have no routine, they ask each other about who knows what. It's a really compelling way to lower the risk.

The buyer party **actively sought more information** on potential agencies because it wanted to assure itself that it was initiating a relationship with a good partner. The buyer noted that when the Design Start project was launched it had to continue with the chosen partner to the end, so it was important to choose the right one. The buyer scanned local design agencies from Oulu but considered them either too expensive or incapable of integrating the design and user interface:

I called Tekes and this regional centre and informed them that in my opinion there was none here in Oulu region. Then they asked why I wouldn't take someone from Helsinki. I had seen a few references from CompanyM [now CompanyD]. Then I called J. [the CEO of CompanyD].

CompanyNT saw CompanyD as **the most attractive counterparty** for many reasons: it was able to integrate design and the creation of the user interface and it was willing to co-operate with its relationship orientation, as the Director of CompanyNT continues:

When we start to co-operate with someone and look for partners to join our network, we don't kick them off after a week and change them for a cheaper or more expensive one. Our goal is to work with them long term.

CompanyNT was also attracted to the clear offerings that CompanyD was able to offer because they had productized their design processes. According to the Director of CompanyNT, the whole design process is usually blurred and the design agencies do not have any process maps for their design processes, so it is difficult for the customer to understand what they are buying. However, CompanyD did have clear modularic design services that were defined and illustrated, and therefore it was easier to initiate business and buy the first module of the design. In this case, the buyer bought a sort of starter pack from which the process could be continued further. The buyer describes how productization lowered risk in the initiation phase and thus increased attraction:

As a design office they had intelligently organized their business into different modules, which pointed out quite clearly how the process works and what the milestones are. It obviously gives you the option that if you're not pleased, you can stop the process. It's not a tube of mush that you dive into, but instead it has certain pieces.

CompanyNT was attracted also by the fact, that the agency had a good appreciation of high-tech firms as reference customers. CompanyNT estimated that it could establish itself by co-operating with established actors with good references and its position as CompanyD's customer might also profile it as a good quality high-tech firm. Both the key persons in CompanyNT emphasized that the good position, references and the reputation of CompanyD might also improve CompanyNT's position:

From the beginning, when we started to build this firm, one of the first and foremost goals was that all the partners had made a name for themselves.

One of the reasons CompanyD was chosen was the thing that they have a professional touch. We have been able to assure the funders that this product is going to break the international market. Our biggest problem today is – when we *try to enter the international market – that our turnover is too small. They don't know us, we're unfamiliar. It's extremely difficult to get to talk with the right people in these global companies like BigG.*

Because CompanyNT's intention was to co-operate with large global firms, it needed to assure financiers by co-operating with the appreciated partners and transfer the partner firm's credibility back onto itself. Furthermore, because CompanyD had designed high-tech for global high tech firms and brands, the global success in these earlier cases might indicate success in this case, too.

6.3.2 Accessing is increased and trust is built

In this case the earlier reference cases and the referral from the industry expert **opened the door more**. The referral mentioned earlier came from the industry expert T.T. who recommended CompanyD on the basis of his earlier experiences with the firm. CompanyNT wanted to use a special foil in the final product and T.T. knew that CompanyD was capable of designing the special foil that the buyer intended to utilize. The referee knew that CompanyD had made design projects for the technology firms Au and Vm who also used this kind of foil in their technical products. As the referee had been involved in both firms, he had experience of projects where both the foil was used and the focal agency had designed it. As a result, CompanyNT, as a new customer, trusted in the recommendation and the information that it received from T.T., which **built trust in its competence,** as the one of the key actors in CompanyNT describes:

So they knew that it's possible to design this foil. It was one of the main points in our product.

CompanyD mentioned that it had co-operated with the referee for long time and that they have had a good relationship:

We've worked together with T. for a long time, since the 90s. There are three companies in Finland that fabricate keyboard foils. Au and two other companies. He was in charge of the keyboard foils at Au. He knows us and we haven't had any conflicts.

The recommendation provided the final **accessing** since the experience of the referee based on long term experience and expert position and his opinion confirmed that the agency **was not only attractive but was also a trustworthy** actor and capable of designing the product. Trust was already created through references and the key referee who indicated and confirmed that the agency possesses the skills to design the high-tech monitor and to design the foil and manage the service process.

6.3.3 Forming the assignment

According to the seller, small and large firms as customers have different kinds of needs and therefore desire different kinds of solutions. The large size customers buy specific professional services and the competence of a particular professional, because they are able to manage the design process themselves. Small size customers, instead, buy "turn key" solutions, because they are not capable of managing the process and they need to outsource it as well. In this case, the content of exchange was a "turnkey" solution that started from scratch. First, the chosen agency CompanyD assisted CompanyNT in making the Design Start application. The co-operation started relatively far from the actual assignment, but because the agency was attracted to the case and the customer it was willing to do some extra work related to the assignment, as the seller party explains:

We had a lot of work before we could charge for the first time, but we saw a good reference in this, and we wanted it. CompanyNT needed things to be done on a ready-to-go basis because they lacked experience in product development coordination.

From the first beginning, the parties shared a clear vision about what the assignment should include:

We ended up doing the design start, and I got a pretty explicit offer that described how we were going to get the job done.

Also in this case, the design agency emphasized how important it is to share mutual understanding on assignment and generate the offering after the customer's wishes:

Understanding the client is the most relevant thing in design. Usually the designers just push their own solution, and don't want to hear what the client has to say.

The assignment was specified and CompanyNT and CompanyD started to create a user interface together for a monitor that was designed, particularly for women, to prevent osteoporosis, as the Marketing Manager of CompanyNT states:

We started to develop the technological solution and we thought that it should be easy to use. Usually those who tinker about with these electrical equipments are male engineers. Their logic differs a lot from the end users. Let's take for example a computer or a heart rate monitor; they have these subsidiary menus that you have to find from there. The initialization is especially difficult.

Because the product was targeted at women but the designed by male engineers, CompanyNT especially wanted female designers in the project group:

We had the idea that we're making a product for women, so we picked women from CompanyD. We didn't want any men in the design team. This is a product *designed by women, all the way from the colour schemes to the shapes. So the design of the user interface had the most crucial importance.*

The Design Start project was a relatively extensive one. CompanyD made explorative market research and looked at what kind of user interface should be used and what kind of product shape would best fit that. CompanyD planned and executed questionnaires on global and Finnish markets and analyzed the results with CompanyNT. On the basis of this research, the final end product, the bone health monitor was designed, and the acquired information was used when the colours and graphics of the monitor were planned.

Later CompanyD also took care of the visualization of the communication. CompanyD was also involved when the product was launched in England and the public relations marketing there was enacted in co-operation:

We built up this project and designed a slightly better model that was targeted at English reporters. It's packed into cool metal jars. We wanted to get the design reporters interested and create some publicity for Finnish design too.

6.3.4 Planning and forming the future

The CEO of CompanyD condenses the initiation by stressing the outcome in the following way:

The job got done really painlessly. I'm not perfectly pleased with the final outcome, however, because it had many compromises.

For CompanyD, the relationship with CompanyNT offered a good reference value. The initiation with CompanyNT also affected emerging initiations with similar kinds of customers, as the CEO of CompanyD describes:

Actually, we've already found new clients through the CompanyNT reference, for example one RFID technique company. RFID is a memory block in the side of a device, and it enables you to follow the product, kind of an identifier.

Thus, the relationship and the assignment with CompanyNT turned into a good reference that the seller can use to stimulate new relationships. The CEO describes the kind of information this new reference signals:

CompanyNT is a key reference because its high tech and we designed all aspects starting from the user interface. It was a ready-to-go process. CompanyNT is a small company, so the reference makes it clear that we know how to work for a small company, not just a huge one. It shows we know how to fit [our work] into a really small firm. You have to understand the patterns, they vary between company sizes. Small companies have a chance to get some aid, and we had some in this. Then the launch in Britain was also in it, although Britain wasn't profitable, it gave the picture of a continuum, in other words the process didn't end there.

Respectively CompanyNT was able to use the relationship with CompanyD to confirm to its stakeholders that it had a relationship with a good design agency that has executed design projects for successful high tech firms. Therefore, CompanyNT could also establish its own position by co-operating with appreciated established actors. In this case, also the buyer could use the seller agency's name as a reference:

CompanyD is a partner that wasn't chosen randomly – they had already done design for BigN, for example. They had made their name around the world, so we wanted to assure our partners. The financers and the rest and to show we were doing this for real.

6.3.5 Summarizing the contribution of reference communication and third actors in the focal initiation case

In this case both actors had a clear intention to initiate. The activeness of the parties varied during the initiation process and the parties took the active role in turns. The speed of the initiation varied as well. The early phases of the initiation were quick and the first negotiation and presentation built awareness between the parties rapidly. However, then the initiation slowed down when the buyer started to compare other options and to gather more information. The key processes of this initiation were finding the matching attractive partner and forming the content of economic exchange. Reference communication and third actors were emphasized in the processes, since they built awareness, attraction and decreased risk by building trust (see Figure 32).

In this case the main reference communication practices were references and the oral referral. The referral from a third who was an industry expert and also vertically networked within the value chain established trust and reduced risk. Previous high tech reference works and organizational reference customers such as BigN, Vm and Au indicated success and the good previous performance of the seller and thus increased attraction. Also the blurred group of industry insiders as an informal group of externals affected the initiation. These practices conveyed reference information on the supplier and its capability to work with foil technique and high tech firms, but it also conveyed information on the compatibility of the initiating parties in terms of strategic fit and orientation to high tech.

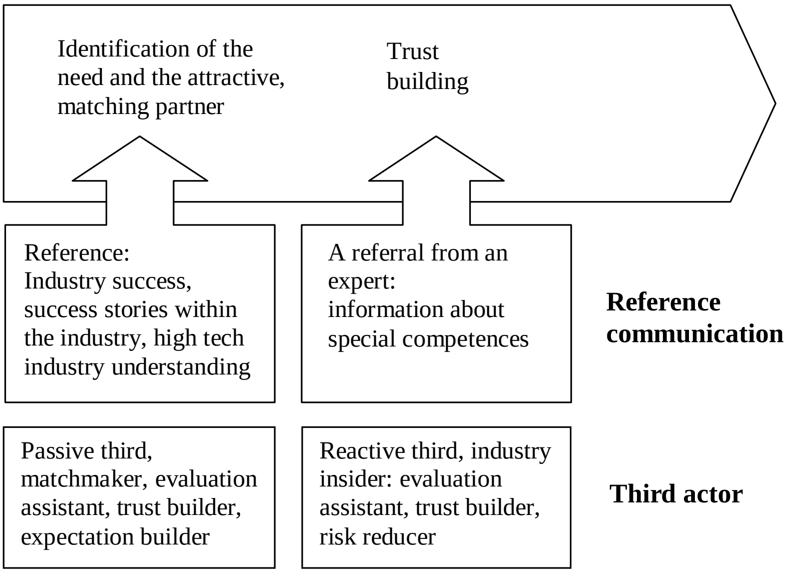

Identification of the need and the attractive, matching partner
Trust building
Reference: Industry success, success stories within the industry, high tech industry understanding
A referral from an expert: information about special competences
Reference communication
Passive third, matchmaker, evaluation assistant, trust builder, expectation builder
Reactive third, industry insider: evaluation assistant, trust builder, risk reducer
Third actor

Figure 32 The initiation between CompanyD and CompanyNT occurring through reference communication and third actor contribution

The seller party actively sent reference communication messages with key references during the selling presentations. The buyer was an active information seeker and thoroughly scanned the available reference information conveyed through the various channels. The referee was a reactive third who contributed initiation. The used reference cases were passive thirds. Some reference information sources and third actors were inactive or hidden; for example, some compatible reference cases were confidential and they could not be openly used.

The form of the reference information was mostly oral (the referral by the key referee, the informal communication network and the oral presentation by the agency) but the buyer also mentioned that it had “seen” the previous works of the agency which can be considered observational artefacts. The reference information varied from the evaluations and opinions presented by the externals to the promotional material presented by the seller. The utilized reference information was quite recent. In this case both open reference information on the Internet and in presentations created awareness and attraction but informal sensitive reference information was emphasized in trust creation.

The main roles of third actors in this initiation were as awareness builders, matchmakers and access creators that also created attraction. The key references were interesting and matching and the referral also strengthened access. Trust builders were also involved: the references and the referral indicated that the agency was able to handle the foil and capable of working with a high tech firm.

The key references and reputational information also acted as evaluation assistants indicating that the focal agency possessed the relevant skills to work with the high tech business and to work with a strategic project. The reference persons, organizations and artefacts served as risk reducer thirds that indicated the good previous performance of the design agency.

6.4 Summarizing and comparing the initiation cases

The three initiation cases differed in terms of how initiation was triggered and what it featured, and in how reference communication and third actors contributed, and consequently they illustrate diverse initiation paths. In the first case, the initiation was launched by the buyer and the process was first about building and evaluating a shortlist of attractive counterparts and then moving towards the assignment; in the second case, a failed initiation preceded the focal initiation, so the main feature was finding a new compatible partner swiftly; and in the third case, initiation on the part of the seller was relatively active, but the buyer wanted first to compare all the attractive options with whom to initiate deeply.

The relevance and contribution of reference communication also differed between the cases. In the first case, reference communication and third actors contributed in particular to the identification of a matching partner with special industry competences. Later they confirmed that the partner had other important competences i.e. was able to co-operate with a family business and thus built trust. Finally, reference communication and certain cases and works executed by third actors eased reaching a common understanding of desired solutions as the result of the initiation. In the second case, contributions were targeted at the swift identification of a trustworthy expert with niche skills. Later, reference communication and relevant third actors contributed to outlining the required solution. In the third case, the seller actively employed some reference communication practices to increase needs identification and attraction, and later additional reference communication and third actors assured the buyer that the first “feelings” towards the attracted seller were reasonable, and the seller party was capable of taking special requirements into account when the forthcoming assignment was planned.

7 FINAL CONCLUSIONS AND IMPLICATIONS

7.1 The contribution and the main findings

This study developed new knowledge about how reference communication and third actors contribute to business relationship initiations. Hence, the study fills several gaps in the relevant literature. First, the study provided a conceptual and empirical analysis on reference communication. The existing literature acknowledges the relevance of references, reputation and word-of-mouth in the initiation phase, but keeps these related concepts separate. This study integrated these communication types into a new concept, reference communication, which enables the investigation of how the communication type and its variations as diverse mechanisms contribute to the relationship initiation. Secondly, the study offered an holistic analysis and description of external third actors, who are mentioned only intermittently in the prior literature, and the ways in which they are able to contribute to the initiation process and provide positive network effects in initiations. Additionally, because the previous literature has neglected initiations, the study is among the first to provide an analysis of the initiation phase as a particular phase of relationship development.

This theory developing study followed the abductive research strategy and, as its main contributions, proposed new conceptualizations and models on relationship initiation, reference communication, and third actor contribution. Conceptualizations were generated by utilizing existing theoretical knowledge from various disciplines, and by connecting the separate but compatible knowledge on the basis of the empirical findings. Relevant existing knowledge that enabled the capture of the complexities of reference communication and third actor contribution to initiations concerned the relationship development, reference, reputation, word-of-mouth, b-to-b marketing communications, selling, buying and network literatures, and professional services. The study mostly contributes to the literature on business relationship development, particularly the initiation phase, research on b-to-b marketing communications, and the industrial network literature. The main findings and contributions are presented, and each theme’s own contribution field are outlined in Table 13.

Table 13 The contribution to the selected relevant research fields

Theme	***Gap***	***Main findings and the contribution***	***Contribution field***
Communication	Fragmented and blurred literature on references, reputation, and word-of-mouth	**Reference communication concept:** the umbrella concept was introduced and common core features were identified to integrate parallel concepts	B-to-b communication literature; Reference, reputation, word-of-mouth literature
		Refinement of word-of-mouth, reference and reputation concepts: the definition of each concept was specified and illustrated as a triadic communication mechanism to refine the concepts	
		Reference information content domains: Reference information was itemized and its features were identified	
Thirds	Third actors acknowledged but scattered throughout various disciplines	**Contributing third actors:** Their types, characteristics, motivations, activity modes and roles in initiation processes	The industrial network literature; positive network effects
Initiation	Lack of initiation literature: how do parties initiate, comprehensive analysis on initiation needed	**Initiation key processes and sub-processes:** six linear and non-linear key processes and numerous sub-processes	The business relationship development literature; initiations

As the first area of contribution, the study provided new knowledge on **reference communication** from two aspects: it first provided the conceptualization of reference communication that integrates knowledge on references, word-of-mouth, and reputation; and, secondly, sharpened the definitions of each concept. This was achieved by investigating the differences and similarities between the concepts of references, word-of-mouth, and reputation. On the basis of the similarities, the study introduced the umbrella concept of reference communication, and developed the reference communication model (see Figure 33). In employing the elements of the traditional communication model as an analytical frame, the study showed how the sub-concepts of reputation, references, referrals, recommendations, word-of-mouth, testimonials, and awards implement reference communication differently as different kinds of reference communication mechanisms.

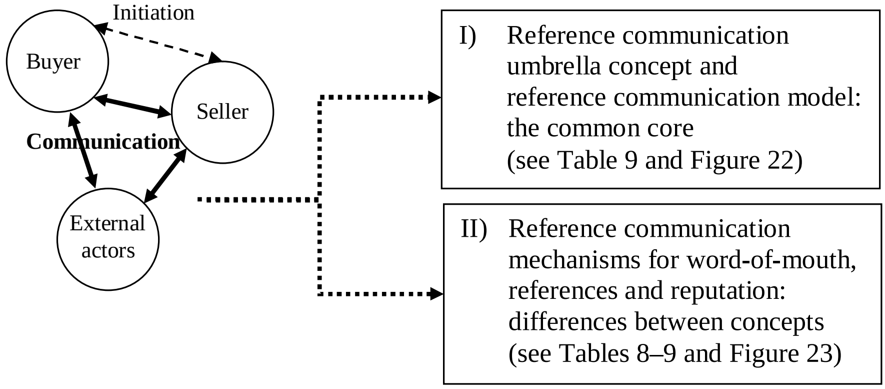

Initiation
Buyer
Seller
Communication
External actors
I) Reference communication umbrella concept and reference communication model: the common core (see Table 9 and Figure 22)
II) Reference communication mechanisms for word-of-mouth, references and reputation: differences between concepts (see Tables 8–9 and Figure 23)

Figure 33 The reference communication model: the common core and diverse mechanisms

Thus, reference communication types were found to have different kinds of mechanism in conveying reference information: the sender of a reference communication can be a third actor (in word-of-mouth and in reputation) or a seller (in references). The external actor can play several roles in reference communication, since it can be the sender or a re-sender of messages, or a “backup”. Reference communication is conveyed through oral, written and visual or observable practices and channels. Reference communication channels vary from impersonal channels (references communicated through the Internet or written lists), or through personal oral channels (persons spreading word-of-mouth), to “hybrid” ones where diverse sources from persons to media simultaneously form the channel, as is the case with regard to reputation. This theme clarified distinctions between concepts, and as a contributive result, the definitions of each concept were further refined, since the previous literature on word-of-mouth, references, and reputation, was fragmented and the use of the concepts was often blurred. Findings also provided the buyers’ perspectives on references, a perspective that has been missing from earlier research, since that stressed them as sellers’ tools that are utilized in marketing (Salminen 1997, Salminen & Möller 2006, Ruokolainen 2005). Referrals and recommendations are mostly studied as one-way dyadic mechanisms between the seller and the reference source or the buyer and the reference source, but in this study they were studied as a triadic phenomenon. In constructing and introducing the idea of reference communication, this study generated a useful concept for employment in communication, selling, buying, relationship and other research.

Reference communication types convey experience based information that is useful in initiations. Since previous studies have not examined the information content of reference communication types in-depth, and only the reference literature has reviewed the kind of information that references can provide (see Salminen & Möller 2006, Ruokolainen 2007), one of this study's contributions was to show how experience based information is sought and provided through reputation, word-of-mouth, and references. On the basis of the empirical data and the available literature, this study distinguished four information domains (offering information, supplier information, compatibility information and decision making information) with various attributes as being central to reference communication. The existing literature emphasizes the amount of available reference information, as it provides solid evidence about previous robust performance (cf. Desai et al. 2008, Ruokolainen 2007, Andersen 2006), but the findings of this theme suggest that the relevance of the information and its compatibility to a buyers' need is even more important. A small amount of reference information is enough, if it is relevant and fits the information seeker's needs. Furthermore, previous studies have already shown that reference communication types do have a positive and strong effect on selling or buying, because they are inexpensive (e.g. Money 2004, 299) and credible, but this study's findings showed that such communication is effective because it is flexible, accessible and well timed communication, and thus provides useful input to various sub-processes and key processes of initiation. Since each type of reference communication conveys reference information differently, they complete each other as the initiation process progresses.

Secondly, the study contributed by providing an holistic description and analysis on **third actors**, who have been acknowledged within various disciplines as important connectors and information sources. Third actors possess facilitating resources such as relations and experience based information that provides valuable input to initiations due to thirds' external position in an emerging dyad, credibility, expert nature (on the basis of acquired experiences and industry specific knowledge), and accessibility (information on experiences is shared or allowed to be shared). In the existing literature, external actors are related to the selling process (Salminen 1997, Moncrief & Marshall 2005), the buying process (Dawes et al. 2000b), and relationship development (Batonda & Perry 2003) and networking (Ritter 2000), but not to initiation. By integrating the third actor related literature within diverse disciplines, this study provided a comprehensive empirical description and analysis on how these external thirds contribute to initiations. The resulting model on third actors and their contribution to initiations is presented in Figure 34.

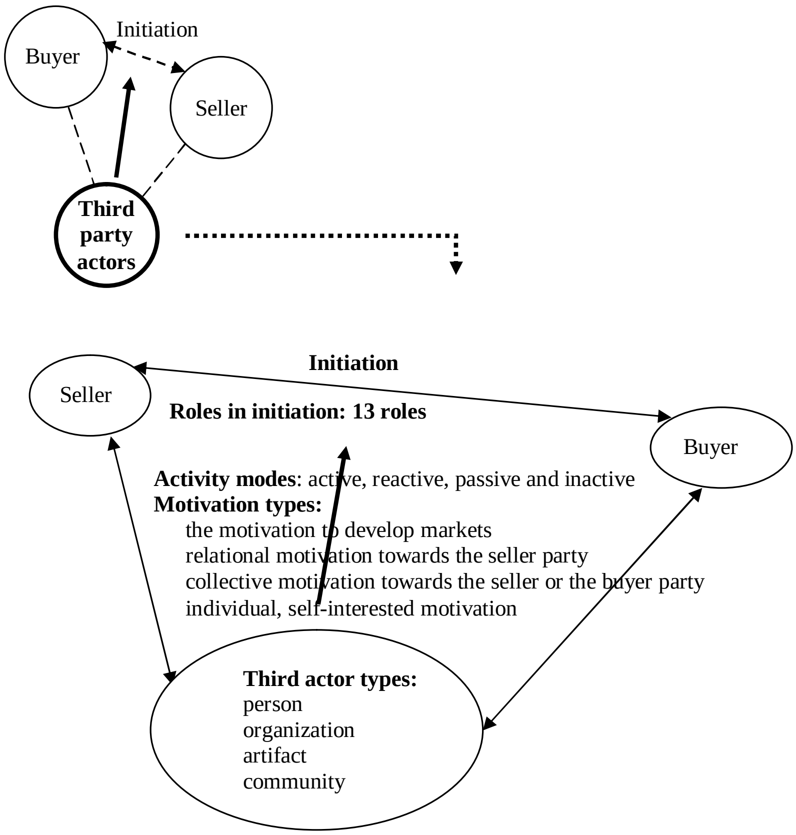

Initiation
Buyer
Seller
Third party actors
Initiation
Seller
Roles in initiation: 13 roles
Buyer
Activity modes: active, reactive, passive and inactive
Motivation types:
the motivation to develop markets
relational motivation towards the seller party
collective motivation towards the seller or the buyer party
individual, self-interested motivation
Third actor types:
person
organization
artifact
community

Figure 34 A model of third actors and their functions in initiations

The previous literature has stressed that previous and existing customers facilitate the building of new relationships through reference and market functions (cf. Walter et al. 2001), but this study showed that a variety of both human and non-human network actors can contribute to initiations, since third actors are embodied in individuals, groups of individuals as a community, organizations and artefacts.

This study also extended our understanding of how and why external third actors contribute to initiations. Third actors facilitate initiations actively, passively or reactively, because they want to support initiations between business actors that are performing well or because they see an initiation potential between prospective initiation parties. Third actors are motivated to share their relations and information for four main reasons: they want to develop markets, to express their satisfaction and positive relation with the seller party, to facilitate business among their community (e.g. through mentoring or social rewarding) or to confirm and establish their own power. They may advance initiations by playing many roles throughout the whole initiation process, from awareness builders to providers of concrete evidence that are examples of the 13 roles which this study identified.

Besides these key contributions, the study extended our understanding of **initiations**, since the previous research has not analyzed in great depth how parties initiate. The study suggests that an initiation – like the ending of a relationship – is a multi-stage process of its own. The descriptions of initiation provided by the existing relationship development models (Ford 1980, Dwyer et al. 1987, Batonda & Perry 2003, Andersen 2001, Edvardsson et al. 2008) are far too simplistic and narrow. As a contribution to this discussion, this study elaborated a model of an initiation process that comprises *mutual key processes* and unilateral *sub-processes* that both the seller and the buyer go through, and which are crucial in order to build a mutual relationship (see Figure 35). The analysis of cases also showed that initiation differs in terms of how active parties are, how intentionally they act, and at what kind of speed the process progresses.

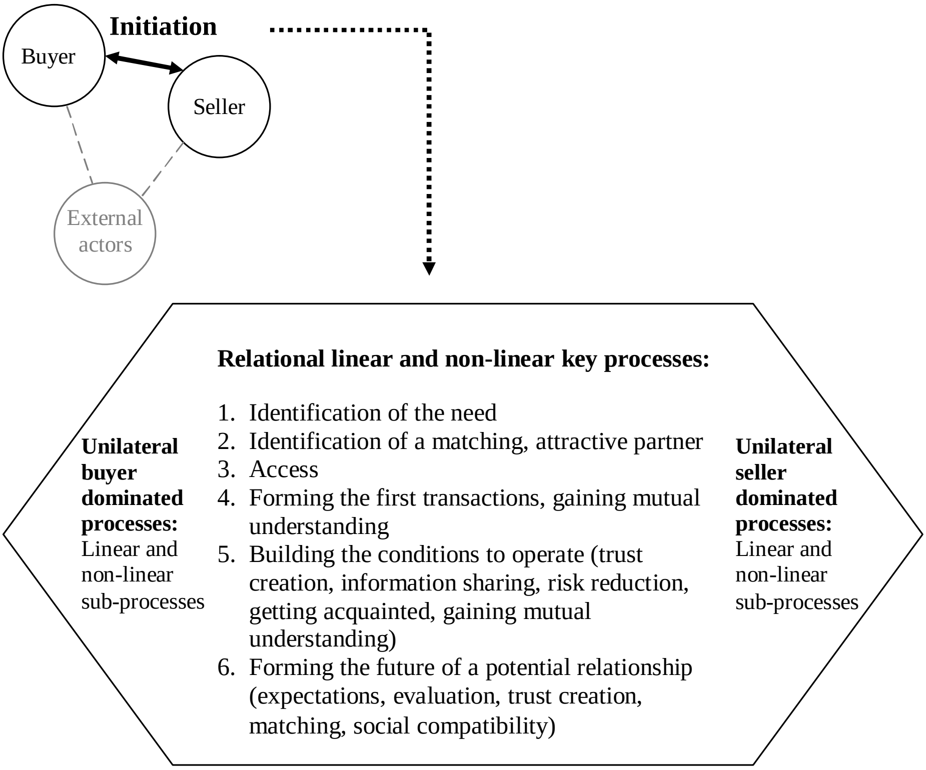
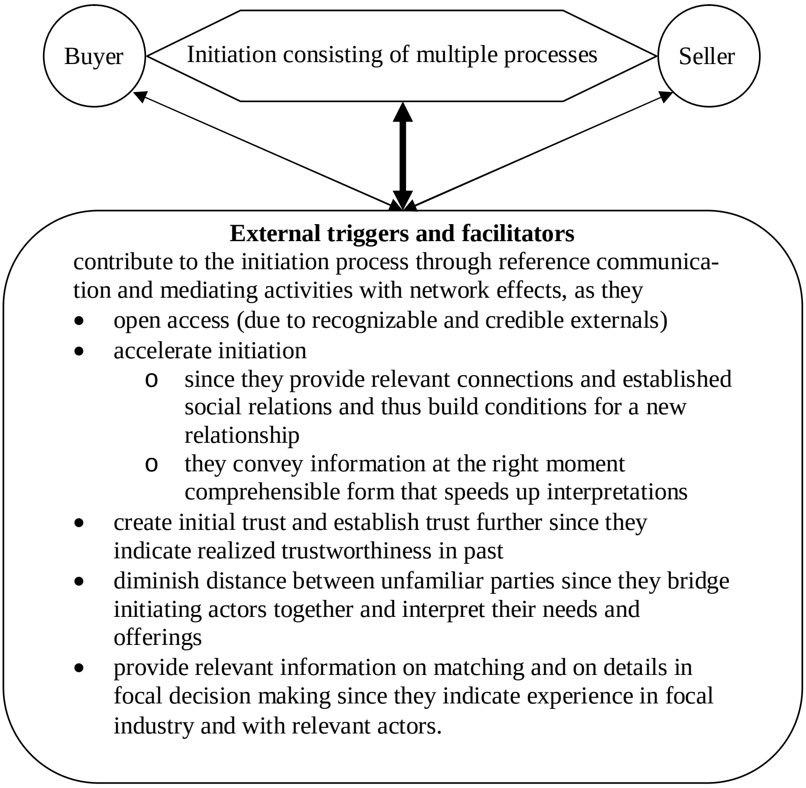

Initiation
Buyer
Seller
External actors
Relational linear and non-linear key processes:
1. Identification of the need
2. Identification of a matching, attractive partner
3. Access
4. Forming the first transactions, gaining mutual understanding
5. Building the conditions to operate (trust creation, information sharing, risk reduction, getting acquainted, gaining mutual understanding)
6. Forming the future of a potential relationship (expectations, evaluation, trust creation, matching, social compatibility)
Unilateral buyer dominated processes:
Linear and non-linear sub-processes
Unilateral seller dominated processes:
Linear and non-linear sub-processes

Figure 35 The initiation model on initiation key- and sub-processes

The results of this study highlighted the fact that there can be *three active parties* to an initiation – the seller, the buyer, or the external third actor – who are all able to launch or advance the initiation forwards. As this study analyzed initiations from several perspectives (the sellers, the buyers and the thirds), it also provided a multiperspective approach on initiation, which resulted in several different versions of actions and events, and their roles in the development of relationships (see Olkkonen et al. 2000).

This study agrees that an initiation is a slow and long process with interruptions (Edvardsson et al. 2008, see also Andersen et al., 2001), but proposes that particularly externals may serve as initiation triggers that launch an initiation, and initiation facilitators that keep the process ongoing or speed it up through reference communication or positive network effects. Because diverse initiation processes require different kinds of input, multiple variants of thirds and reference communication types are likely to be needed: an expert community that shares reputational information may build initial awareness, and reference visits or an introduction by a well-connected mediator may indicate trustworthiness. All can trigger or facilitate an initiation process. These external initiation triggers and facilitators assist buyers in finding, evaluating and choosing sellers, as they enable parties to scan the benefits of a relationship and what value the supplier may create for its customers. Respectively, they ease sellers' initiation activities, as they make it easier to identify and approach prospects, illustrate the benefits of a relationship and prove its trustworthiness. If a mutual good match is considered an issue that predicts the success of a relationship, these kinds of issue can be evaluated by employing compatibility information embedded in reference communication and involved third actors as matchmakers. Figure 36 integrates all the findings of this research and summarizes how diverse externals contribute to initiations: they build the necessary awareness, provide access to new parties, and assist in evaluating and finding compatible business parties and in specifying deals with them. They facilitate the progression of identified initiation processes by providing critical inputs, and thus may turn episodic initiation processes into a relationship. For example, as the findings suggest, a buyer might already be aware of a potential supplier, but reference communication or a third actor's activities through a supportive, trust creating referral or a compatible reference case can reactivate an initiation process and thus enhance the speed and intentionality of the initiation. Or, a facilitating social relation by a third actor can accelerate the progression of the process, as building conditions for a relationship through forging social relations is time consuming and unpredictable, and often results in a slow process. Initiations are facilitated and accelerated when better information, matching possibilities and access creating relations are achieved with the assistance of externals. The external triggers and facilitators contribute to initiations particularly in new business areas and in unconventional buyer-seller combinations, in which actors with intentions to initiate lack existing and sufficient experiences of a relationship, or exchange possibilities.



External triggers and facilitators

contribute to the initiation process through reference communication and mediating activities with network effects, as they

- open access (due to recognizable and credible externals)
- accelerate initiation
  - since they provide relevant connections and established social relations and thus build conditions for a new relationship
  - they convey information at the right moment comprehensible form that speeds up interpretations
- create initial trust and establish trust further since they indicate realized trustworthiness in past
- diminish distance between unfamiliar parties since they bridge initiating actors together and interpret their needs and offerings
- provide relevant information on matching and on details in focal decision making since they indicate experience in focal industry and with relevant actors.

Figure 36 The external initiation triggers and facilitators and their contribution to initiation processes

To highlight the new understanding that this study generated on initiation per se, the initiation is a blurred phase in relationship development because of *the indefinite starting point, the multiple key processes that can be launched unintentionally or sporadically* and that *follow each other non-linearly*. The indefinite starting point at which the relationship begins originates from the fact that parties can be aware of each other, and multiple social contacts and informal episodes may occur, before any economic transaction takes place; and, as a result, parties can be attracted for a long time, which is more difficult to detect than the launch of the actual economic exchange. Some of such encounters are, however, critical initiation incidents that lead to economic transactions and a business relationship. Existing research sees awareness and need recognition as the starting points of initiation (cf. Edvardsson et al. 2008), but findings from this research suggest that an initiation may also start from other processes, for example the identification of an attractive partner, and need identification and clarification may follow from that. Instead of a linear progression, the initiation processes can follow each other in a less linear fashion. For example, attraction can precede trust building, or it can be based on trust, depending on the case. Thus, initiations can progress through various patterns in which processes follow each other non-linearly or re-activate sporadically, which is contradictory to relationship development models (Dwyer et al., 1987), selling models (Moncrief & Marshall 2005), and buying process models, which emphasize the linear order of the phases.

Furthermore, initiations are vague because not all initiation processes are intentional. This study revealed that the initiation can be the result of intentional active buying and selling or triggered by unintentional coincidental encounters and events, particularly if a new business opportunity is identified and suggested by the externals. This contrasts with previous understanding within all the main literature domains (relationship development literature, buying and selling literature) that consider initiation activities to be rationally intentional and assume that parties intentionally “build” and “create” relationships.

Moreover, this study deepened an understanding on communication’s role in initiation by investigating reference communication’s contribution to initiation. The results indicated that even if there is no dyadic communication, there can be “unplanned” communication concerning the potential relationship provided by externals. The cases particularly showed that one-way communication originating from a seller is usually not enough to precede an initiation, instead reference communication from external sources are required to build the necessary awareness about the partners, to convey key information about potential parties, and to estimate the value of consequences of a new relationship. This partly contrasts to stage models’ (Ford 1980; Dwyer et al. 1987; Andersen 2001) conceptions that stress dyadic communication between the potential seller- and buyer-parties during the very first phase of relationship development. This study generated integrated analysis of how references, reputation and word-of-mouth advance mutual relationship building processes and also highlighted how both buyer and seller parties can take advantage reference communication and thirds. Thus it integrated and extended earlier studies which have linked one type of reference communication to some aspects of initiation, such as references in selling (Salminen & Möller 2006; Jalkala & Salminen 2009) or word-of-mouth in buying (Henthorne et al. 1993).

One of the emerged aspects was the strategic dimension of the whole phenomenon. Possessing business and social relations with certain types of actor has an effect on initiating new relationships in the future as reference communication and third actor contributions determined the initiation opportunities for the firm in the future. This is consistent with strategic network aspect noting that once relations are established, this stimulates further networking (cf. Gulati 1995). Consequently, previous relations and cases build a firm’s future as they impact further initiations. In generating, nurturing and employing tactically relevant types of reference communication and third actor, the focal firm may reach its strategic goals. From a seller party's perspective, track records and reputations are built in the past but affect with whom and what kind of exchange the seller is likely gain in the future. Thus, third actors and reference communication are strategic tools especially for marketers, as they position firms in the markets. Previous research has noted that references "operationalize" the strengths and weaknesses of suppliers (see Salminen and Möller 2006) and this study elaborated this further by discovering that all reference communication types affect the network position of firms; the acquired contacts with various thirds presenting customers, advocates and works illustrate a firm's capabilities and "location" in the networks and thus position the firm in the markets.

The findings suggest that acquired contacts and assignments generate strategic assets that can be used for initiation purposes. Hence, the identified categories for externals and third actors can be elaborated further into four types of strategic resource that business actors might possess (see Figure 37) and that can be utilized during initiation processes. These resources are *social capital* (based on social relations with persons who give recommendations and spread word-of-mouth), *reputational capital* (long term success in a large community), *artefactual reference capital* (artefacts and realized successful work), and *organizational reference capital* (advocate organizations and customer organizations). This may explicate interaction between social capital, references and reputation in an initiation situation; if one of these capitals is weak, others need to be stronger. In diverse initiations, these capitals are often realized differently, depending on whether the initiation concerns new entrants and startups, mature firms with new products, or unscrutinized buying firms with new needs. For example, because a startup often lacks reputational capital and reference capital, they need to employ social capital through personal recommendations in order to initiate. Mature and large firms with an established reputation do not necessarily need social capital or reference capital to the same degree, since a long term reputation in a large community establishes and guarantees a firm's competence and successful performance. Furthermore, because older firms often enjoy a competitive advantage over younger firms, younger firms with short track records need to be aware of that relative disadvantage, and should develop strategies to compensate by stressing explicit reference communication and credible third actors. This also explains earlier notions that references and social capital are related (Ruokolainen and Mäkelä 2007), and references and reputation are related (Salminen 1997, Salminen & Helm 2010).

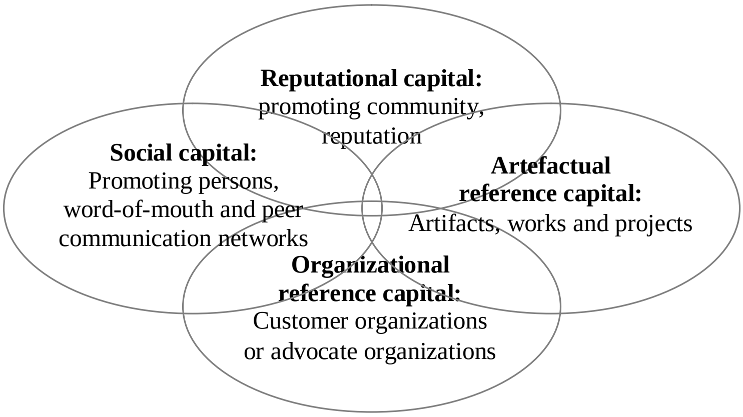

Reputational capital:
promoting community, reputation
Social capital:
Promoting persons, word-of-mouth and peer communication networks
Artefactual reference capital:
Artifacts, works and projects
Organizational reference capital:
Customer organizations or advocate organizations

Figure 37 Four types of capital that third actors and reference communication provide to be used in initiations

Firms can use these assets (social, reputational, artefactual and organizational reference capital) to renew and develop their business, grow, target their activities to particular markets and groups, and seek access to new markets or segments.

In professional service context, third actors' and reference communication's contribution to initiations are extremely relevant due to the context's particular marketing challenges (see Clemes et al. 2000, Thakor & Kumar 2000). This study demonstrated how third actors and reference communication and particularly "material" references make the intangible service exchange more tangible and thus provide reliable and approachable information for buyers before committing into the relationship.

"Professional service offering" is defined through interaction processes with the customer and therefore reaching consensus on goal and procedures of exchange is important during initiations despite the wide distance between parties due to information asymmetry. The findings showed how reference communication and a third actor contribution can facilitate this interaction process when parties outline on the nature of desired and intended exchange related to complex, specialized, customized or intangible service offerings. When the offerings are non-standardized and non-repetitive, external points of reference can provide crucial examples of previous offerings and performance. Reference communication and third actors simplify interaction concerning decision making by providing illustrations about previous situations and customization in previous cases and their benefits and disadvantages as well. As results showed, they guide the customer to articulate its needs and the seller to demonstrate the potential options for goals. Reference communication is also a tool for demonstrating the long term benefits or the quality of the complex offerings.

As existing third actors and positive reference communication provide examples of successful business relationships, they also verify existing successful relations and assignments and thus they establish trust and credibility that are important in professional services. According to findings, personal third actors and word-of-mouth type reference communication particularly indicate that previous performance has succeeded on a personal social level, too, which is crucial aspect because professional services require trust, credence and interaction on a personal level.

One of the problems concerning initiation in professional services is the matching aspect due to scattered and narrow specialist competences, but this study showed how reference communication and third actors facilitate the complex “diagnosis” path during the initiation in which the customer needs to find the right provider and parties together need to outline the right solution in an information asymmetry situation. For example, an expert word-of-mouth source as a third actor might launch the diagnosis on behalf of the customer or the service provider.

7.2 Evaluation of the study and avenues for future research

This study was explorative and aimed to identify and label numerous narrow categories. There was no intention to analyze the frequency of the categories, so their relevance and generalizability to the wider population should be measured with a further study.

This study was executed within the context of professional services in Finland, and some findings should be emphasized for this context only. For example, the special skills of the seller as an important part of reference information, and the necessity for trust-building by third actors, may be overly emphasized due to the research context. Selecting professional services as the research context highlighted in particular collective motives and collective actors: such pronounced collectivism originates from professionalism and shared education and values. The sensitivity of the studied phenomenon that led to challenges in data gathering, access and reporting might originate from the features of professional services, and other contexts would have generated fewer such problems.

Most of the findings, however, can be generalized to some extent to other industries and geographical contexts. The findings on reference communication and third actors are purportedly generalizable also to other contexts in which the offering is fuzzy, the matching aspect and customization are relevant, and where the benefits of the offering and the relationship will be realized in the long term. Thus, findings may be generalized to complex products and services that are customized, risky and costly, and in which the benefits will only be realized after the exchange. The studied firms were mostly SMEs but it can be assumed that larger firms also employ similar reference communication mechanisms and third actors when they initiate. However, in other kinds of organizational setting and industry, with other types of offering, different practices of reference communication, third actor contributions and initiation processes may be more prevalent. This study was executed in b-to-b settings, but the findings can to some extent be applied to b-to-c settings as well.

This study reveals several opportunities for further research. The study was explorative in nature, and therefore the main stream for future research is to study the identified categories with more structured methods. The categories derived by this research could be employed as frameworks, and the models presented in the study should be tested in further studies. For example, third actors' roles could be studied in different kinds of initiation context and in different kinds of cultural context.

An interesting topic for future research would be to analyze how closely the actors utilize the information. Another topic could be source credibility, since the study raises questions about which factors affect the effectiveness and credibility of reference communication and third actors. Clearly there are research opportunities for identifying significant factors that influence the credibility of reference communication and third actors and how different reference communication channels and practices affect the credibility of information. There is also the question of source credibility that concerns both the reference itself (e.g. customer organization) and the media. Therefore it will be necessary to focus on the credibility of the channel and the reference information source and to investigate how it affects the utilization of reference information in future research. Also service references particularly deserve further analysis.

Secondly, additional studies are needed to examine the meaning of reference communication and third actors in other contexts. Further research is needed to examine whether the diversity of initiation situations and the identified reference communication and third actor categories are applicable to other environments. Therefore, future research should also investigate other industries, offering types and other countries. Furthermore, firms of different sizes and ages and with a variety of strategic orientations should be investigated to analyze how various thirds and reference communication affect their initiations.

Third, initiation should be studied further and with various approaches. Longitudinal studies would be useful for examining how an initiation proceeds further and how various initiations lead to different kinds of relationships. This issue links the initiation phase to other relationship development phases. The study investigated different kinds of initiation situations. Initiation sub-processes and features, communication and the external actors involved are assumed to be emphasized differently, whether the initiation concerns new actors in the markets, such as foreign entries and startups, mature firms with new products or strategic goals or buying firms with new needs. Therefore, it could be fruitful to concentrate on each initiation type and study how actors initiate in various situations with the aid of large samples. This study stressed that an initiation can be the result of unintentional coincidences or intentional activities, but because the previous literature is scant on the intentionality of activities, the *intentionality* and *unintentionality* of actions might be worthy of deeper investigation.

Fourth, the study highlights the importance of clarifying the meaning of closely related concepts, references, word-of-mouth and reputation. This study suggests that, for example, the term reputation is often used to refer to activities associated with references. Further work is needed to distinguish these concepts and to study the interaction between the concepts. Also, elaboration on the connections between third actor types, activity modes and roles might provide interesting hypotheses to be tested in future empirical studies.

7.3 Managerial implications

Various managerial implications can be derived from the findings and theoretical discussion concerning reference communication and third actor contribution in initiation.

7.3.1 Managerial implications regarding reference communication

The findings stress that the customer tends to choose an actor that is familiar, known and established, since this previous history implies credibility and success. Reference communication establishes a marketer as “known” and established because the marketer’s appreciation or acknowledgement among industry experts and business actors through established previous works in general (references) and works and projects that have gained attention (awards and publicity) make the marketer’s trustworthiness more self-evident. The results of the study can help companies develop their reference practices and reference information. Managers can for example specify targets for their reference communication efforts; for example, should the marketer improve the spread of a particular type of reference information or should it improve personal and impersonal channels. Different customers and customer groups may have different information requirements which should be reflected in a firm’s reference communication practices.

Managers should be aware of how references, reputation, and oral word-of-mouth and referrals are mixed, and their cross-effect should be acknowledged.

Marketers benefit from these communication types since they represent neutral and “non-pushing” marketing communications in b-to-b markets. Usually, effective use of word-of-mouth is related to the reduction of promotional costs since word-of-mouth sources spread promotion for free (e.g. Mason 2008, 212). However, this study revealed that the effectiveness of reference communication is linked to credibility and good timing: relevant information comes at the right moment from credible source and facilitates communication processes and information processing and reduce obscurity and rejections. In brief, interactive word-of-mouth or customizedly illustrated references spread relevant information in an accessible way at the right moment when the customer is willing to receive such a message.

Practical implications also concern reference communication practices and channels. In general, managers should be aware of how diverse ways reference communication could be embedded in their marketing activities and therefore they should use multiple channels such as the Internet, personal channels, and presentations. It could be beneficial to put further effort into marketing practices such as seminars and reference visits where both reference work and experienced people creating word-of-mouth can boost each other. Managers should organize for example social events that enable spreading word-of-mouth. Also testimonials could have a larger role, especially in business service business. Reference visits are common in industrial marketing (see Salminen 2004), but service organizations could also utilize reference visits more and better apply them to their selling and marketing activities since buyers are mostly impressed when they are able to observe a solution in use. The publicity surrounding successful work and awards provides impersonal evidence that can widely establish one’s success and legitimate the performance of the marketer among professionals and industry actors. In particular, winning awards implies that the competence and outputs of a service provider are appreciated among industry actors. As some buyers actively ask for various references and opinions and examine them by themselves, marketers should offer reference communication practices that enable buyers to make this examination. Firms cannot afford to rely on the effect of only a few reference communication practices and channels, since the amount and credibility of reference communication signallers can increase the efficiency of reference communication.

As references are marketer controlled reference communication, the marketer should actively adjust them and customize the references throughout the sales activities. Particular cases can be chosen and particular desired information can be emphasized to build awareness and illustrate compatibility. On web pages references can be easily and cheaply presented and they can offer a customer more control in choosing and processing reference information compared to brochures and reference visits (see Jalkala and Salminen 2005, 168).

Word-of-mouth should be included as a formal component of a company's promotional communication; word-of-mouth is not just something that happens by a chance and accidentally, the marketer can also facilitate spreading it by organizing social events and discussion forums. As word-of-mouth is controlled by external actors, it is perceived as more credible. It is flexible, because the information seeker and word-of-mouth source can interactively discuss it. Word-of-mouth practices enable the discussion and peer support that an inexperienced customer needs when it does not know what to ask or does not want to ask "stupid" questions. Word-of-mouth also offers confidential information because it is accessible through one-to-one conversations.

One of the most important implications concerns the information content. Marketers should analyze available reference information and identify the need for additional reference information. The findings concerning the reference information domains can help to specify the kinds of information customers seek and need: buyers gather information about their past work, relations, overall performance, offerings, compatibility and the decision making situation itself. Sellers should identify more thoroughly what particular reference information is relevant for their customers. Companies can use the identified information domains and attributes as a framework and select those that are suitable and important for their own business and strategic goals and emphasize them when communicating their references, as well as when employing word-of-mouth and building a reputation.

Marketers should customize the reference information topics to meet a potential customer's needs but take into account that the information designed for one target receiver can distort the message designed for another target receiver. For example, if the marketer provides information only on its major international reference customers, the small enterprises do not see compatibility. Therefore, marketers could construct "reference sets" for their each target group and thus stress compatible and relevant people and the work of each group. Marketers should wisely choose their reference customers and understand the consequences of the various selection criteria. For example, the industry or type of the reference customer should be closely related to the new potential customer and its case. Even if it is said that the largest possible client might serve as the best promotional reference for subsequent clients (Gomez-Arias and Montermoso 2007, 986), this study found that wasn't always the case as small size customers and advocates are important as well, if they are relevant and indicate an understanding of a particular business or industry. This means that marketers should not "list" only their big names; instead they should select different kinds of reference customers and referees that are compatible with their target customers (e.g. industry or size). Thus, marketers should concentrate on utilizing **relevant** evidence because buyers appreciate high quality evidence and relevant references, not numerous amounts of irrelevant references. Marketers should also provide **new up-to-date** reference information. There are two opposite demands for reference information; there is a need to provide evidence on constant and coherent success; and information needs to be specific and relevant e.g. indicating special industry understanding.

Marketers could also pay more attention to the form of their reference information, especially in references and provide more reference related statistics and facts (e.g. the ROI confirmed by customers to illustrate gained benefits) and anecdotal information on processes, projects and the development of relationships. Marketers count mostly on the lists of their reference customers and work, however, they could utilize more reference case descriptions instead of data lists, such as in web reference cases or oral reference descriptions. By using anecdotal forms of references marketers can illustrate how they solved similar problems and produced benefits and how relationships with their partners have developed since their first transactions. Also observational information and tangible work (work pieces, visits, pictures) that makes the physical element of the offering clear could be more widely utilized. Due to the fact that the social and personal dimension of reference communication is so crucial, marketers should also utilize, for example, personal name dropping in addition to mentioning firm names as references. The findings on reference information particularly suggest that marketers should extend their marketing messages from offerings and product information to communicating benefits and compatibility.

If a firm and its external advocates emit reference communication signals, it must compile a clear, consistent and cohesive and accurate set of reference communication signals, and convey them in a credible manner. The findings indicate that the credibility of external promoters needs to be preserved. If their motivation and participation is independent and relatively objective, then this reinforces their credibility and makes it stronger. Therefore, the externals should remain as externals regarding their motivation, their status and used practices. Managers should also notice the strategic meaning of reference communication since existing reference communication stimulates business with similar kinds of new customers. Therefore it is important to utilize reference communication in a strategic way and first identify the key reference work and reference persons that are strategically important, and secondly employ them intentionally.

This study offers some special implications for service organizations, too. The complexity of professional services and the unique information needs of buyers make promotional planning in service organizations a difficult task. Professional service providers are not keen to promote their services through advertising and active push-marketing (cf. Feldman Barr & McNeilly 2003, Waller 2001) but neutral and “non-pushing” reference communication conveys information about the offering and the capabilities of a service provider in a “neutral” way.

References, testimonials and word-of-mouth can be utilized in giving evidence of benefits of a service. With references, service providers can demonstrate their ability to resolve a customer's problem and represent an offering in advance, but references can also reduce service complexity. Since service buyers perceive various increased risks (cf. Mitchell 1998a), service providers should identify the most crucial risk areas, and offer reference information to decrease these risk types. Reference cases and descriptions can be employed to illustrate the outcome, process and the potential value of an outcome to a potential client. Reference visits could be used to a greater extent.

7.3.2 Managerial implications regarding third actors

The findings on the third actors – their function, type, activity modes and roles – provide a good basis for managerial implications about how buyers and sellers can take advantage of thirds in their business.

Firstly, the simple recognition of the role of third parties is useful. Firms should be aware of third actor effects and understand how their interconnectedness affects emerging relationships. For marketers it is important to contact not only potential customers but also the right kind of advocate third parties in a promoting network. If managers know what kind of third actors are useful in initiation situations, these third actors become manageable assets for a firm. Third parties can be involved in various ways from awareness and need creation to illustrating the potential offering and its benefits in the bargaining phase of initiation. If the third is an expert or opinion leader, they are considered a credible authority who guides the customer towards successful decisions. Thirds can help reduce the distance and gap between the marketer and the customer. They can identify to the marketer firm those firms that might benefit most from the marketer's offerings. And because thirds are autonomous, they can also time their activities to benefit both parties.

Secondly, it is important to understand how a variety of social contacts, organizations, communities and realized successful works can facilitate the creation of new relationships. Therefore, managers should create a profile of the influencing third parties; both formal and informal ones. Marketers should identify 1) key persons (social capital) 2) key projects, works and artefacts (reference capital and artefactual promoters) 3) key communities and stakeholder groups and public forums (reputational capital) and 4) organizations (organizational advocate capital). These kinds of third actors are needed, since they transfer complex knowledge and information and create access and trust, and serve as opinion leaders, experts, advisors, advocates, mediating social actors and illustrators. As interpersonal communication is relevant particularly for service industries, service marketers should have an interest in activating “market mavens” or expert type thirds that enable them to reach and influence a wider market.

Thirdly, it is important to understand, how to activate thirds and how to enhance the advocative actions of thirds. The identified key reference customers and other advocates should be activated through reciprocal and other motivation mechanisms. Compensation is one motivation tool but, as the implications of this study indicate, monetary compensation is not necessary because there are plenty of other motivating factors. In addition, compensation can reduce the credibility of thirds. Instead, marketers should motivate thirds by making them enthusiastic about them and by giving them motives for conversation and by information and relation sharing. However, third actors might also show resistance to marketers’ attempts to utilize them, which may result in the opposite effect to the one desired. Therefore, thirds should be motivated intentionally but very cautiously. One of the major challenges is to activate silent or hidden thirds. Asking an existing client to refer a professional firm to a potential client may be considered too intimidating. However if the third is convinced that information sharing and networking also advances the development of existing relationships and valuable industry- or market-specific information is offered as a trade, the third actor may be encouraged to act on their own initiative.

Marketers could also consider using expert thirds that are willing to build their own expert reputation by participating in promoting networks, or using individuals who desire to develop their reputation and become central persons in a larger network of industry insiders through the development of knowledge exchange among network members. Firms wishing to take advantage of thirds could also develop practices that make information and relation sharing enjoyable between thirds and potential customers and provide forums that encourage thirds to interact with others, such as seminars and events. Moreover, in order to activate a third’s motivation, a firm could create promotional material that stresses experts’ and industry insiders’ own businesses or make thirds part of a special group that receives important industry specific information. Such reciprocal favours to thirds may generate goodwill that may be transformed into referrals and positive word-of-mouth and a willingness to be used as reference customers. Another tactic is to ask thirds to explain the benefits of their firm’s services to others; marketers could stress how this will help other network members.

Moreover, business actors are usually keen to develop their personal networks and ensure that they are always well connected and possess useful contacts. Such networks of contacts consist of informal and formal horizontal and vertical relations between people, organizations and artefacts. Therefore, managers need to ensure that they have, for example, horizontal relations outside of their formal organizational structures. These kinds of relations are maintained not only with managers but also with useful persons at the same hierarchical level, since relationships may originate from a common professional base or a common work history. In order to develop horizontal relations with actors within similar and complementary businesses, managers should attend professionally based social activities to maximize the informal nature of these relations. Knowledge of a friendship between persons can be a great advantage in initiation situations since they provide informal and effective channels of contacting other businesses and individuals.

The study has implications for buyers, too. Buyers should notice that thirds are important mediators that possess important information and relations. If buyers take advantage of them, they will benefit by having lower risks and transaction costs and be able to predict better matching. For example, when a buyer possesses good relations with complementary experts they acquire important information and the need to pay consultants is lower. Furthermore, buyers with strong external network ties can also use outsiders as sources of information and do not need to become formal members of any buying centre. Therefore, buyers who have good relations with industry insiders and good reputational and reference knowledge can receive information that is more valuable and more important for their business.

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Appendix 1 Key concepts

Initiation	A dyadic process starting from awareness, and ending in an agreement, an order or an assignment, that in the best cases leads to a business relationship	
Relationship	“An interdependent process of continuous interaction and exchange between at least two actors”.	Holmlund and Törnroos (1997)
Communication	An sign-based activity of conveying information from one entity to another/ conveying information by or to or between people or groups	Habermas (1984)
Reference communication	Communication based on the previous experiences of external actors	
Reference communication types/subconcepts	References, word-of-mouth, reputation/reputational information sharing, referrals, recommendations, awards, testimonials	
Reference communication channels	A reference communication channel refers to such media as the Internet or one-to-one conversation.	
Reference communication practices	Reference communication practice refers to a communication activity such as a presentation, a list, and a visit.	cf. Salminen (1997)

Appendix 2 The list of interviews (primary data) and gained material (secondary data)

The interviewee: initials, position	**The firm and industry**	**Date of interview**	**Reference material gained within the interview**
H.H., director, sales & marketing	Engineering agency, large sized global consulting and engineering company	24.5.2005	References in presentation slides, web pages, descriptions of reference visits
L.H., CEO	Translation and localization, SM-sized agency in Turku, part of large-sized multinational company, head-office in England	25.5.2005	Web pages, reference case brochures, brochures, PP slides
A.H., press officer	Communication agency, microsized firm in Turku	22.6.2005	
P.F., managing director	Advertising agency, micro-sized firm, in Turku	5.8.2005	Reference films, reference objects, reference cases in folders
N.P., partner, designer	Landscape consulting, micro-sized agency in Helsinki	20.9.2005	References presented in media, reference plans, web pages
L.J., industrial designer	Industrial design agency, micro-sized agency in Turku	30.9.2005	
A.S., CEO, senior designer	Industrial Design, SM-sized agency in Turku	7.11.2005	A book, web pages, description of presenting references within presentation
J.S., CEO, senior designer	Industrial Design, SM-sized agency in Turku	7.11.2005	Web pages, description of presenting references within presentation
H.K., designer, partner	Design agency, micro-sized firm in Helsinki	13.12.2005	Web pages, objects
T.H. project manager	In saw mill, main office located in Järvelä	3.2.2006	
T.T., merchant banking consultant, loan advisory	Bank, large size, agencies situated in Finland, head office in Helsinki	9.2.2006	Presentation slides, reference CV
I.K., CEO	Project consultant agency, SM-sized in Helsinki	9.2.2006	Presentation slides and presentations
J.R., president	Software consulting, SM-sized agency in Turku	31.5.2006	Reference cases, web pages, reference e-mailing

J.V., managing director	Advertising agency, SM-sized firm, in Turku	3.6.2006	Reference cases such as posters and in folders, references in slides
K.T., engineer	Technical expert in multinational food company	8.6.2006	
S.K., district manager	Expert and manager in food company	17.6.2006	
M. H., engineer	Expert in engineering consultancy firm	22.6.2006	
K.K., accountant	Accounting agency, micro-sized agency in Turku	2.7.2006	
T.T., manager	In technical production	4.8.2006	
P.R., local manager of merchant bank	Merchant bank, large-sized, office situated in Turku	9.11.2006	Advertorials
A.J., director	Manager and owner in a high tech firm	15.5.2007	
M.A-K, CEO	Manager and owner in a high tech firm	15.5.2007	
J.S., partner, key account manager	Industrial Design, SM-sized in Helsinki	8.8.2007	Reference objects, presentation slides, web pages
M.K., managing director	Promotion organization	8.8.2007	
E.R., managing director	Project consulting, SM-sized agency in Turku	21.1.2008	Web pages, brochures with references
K.K., CEO	Project consulting, SM-sized agency in Turku	21.1.2008	Web pages, brochures
J.R., attorney, partner	Attorney’s agency, SM-sized in Turku	12.2.2008	Customer magazines, brochure on customer events, web pages
A.Ä., translator	Translation agency, micro-sized firm in Turku	5.4.2008	
P.S., managing director	In high tech production	21.4.2008	
T.Z., partner	Communication agency, SM-sized in Turku	17.3.2009	Web pages, presentation slides

Appendix 3 Interviewing scheme to encourage answering and narrative production

At the beginning of each interview

- The triad picture was shown, when the focus of research was explained to the interviewee
- The interviewees were told the aim the interview is collect data on customer acquisition, references and word-of-mouth, and on situations in which external parties facilitate the creation of new business relationships.
- The interviewees were told that the aim is to gather information, particular stories on the focal issue and potentially new names that could be informants in future

Themes

The service: What is the service that is sold/bought?
How the service is concretized and communicated for the new customer? What needs to be concretized?

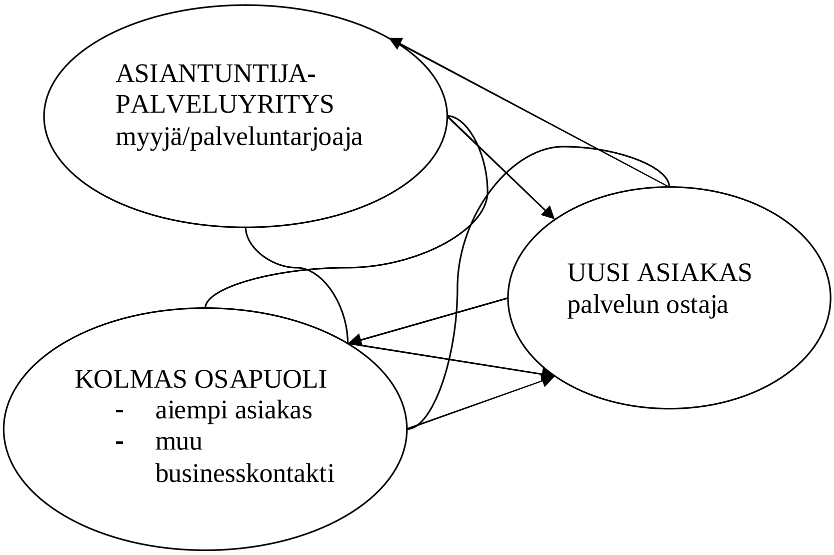
Market situation: What kinds of actors there are in the business: the competitors and their offerings, differences between the marketer and the competitor?

The initiation: What is “the usual story”: how a new customer ends up a customer? How the marketer usually seeks new customers? How a new service provider is usually chosen? Marketers: what are the problems and the facilities in customer acquisition?

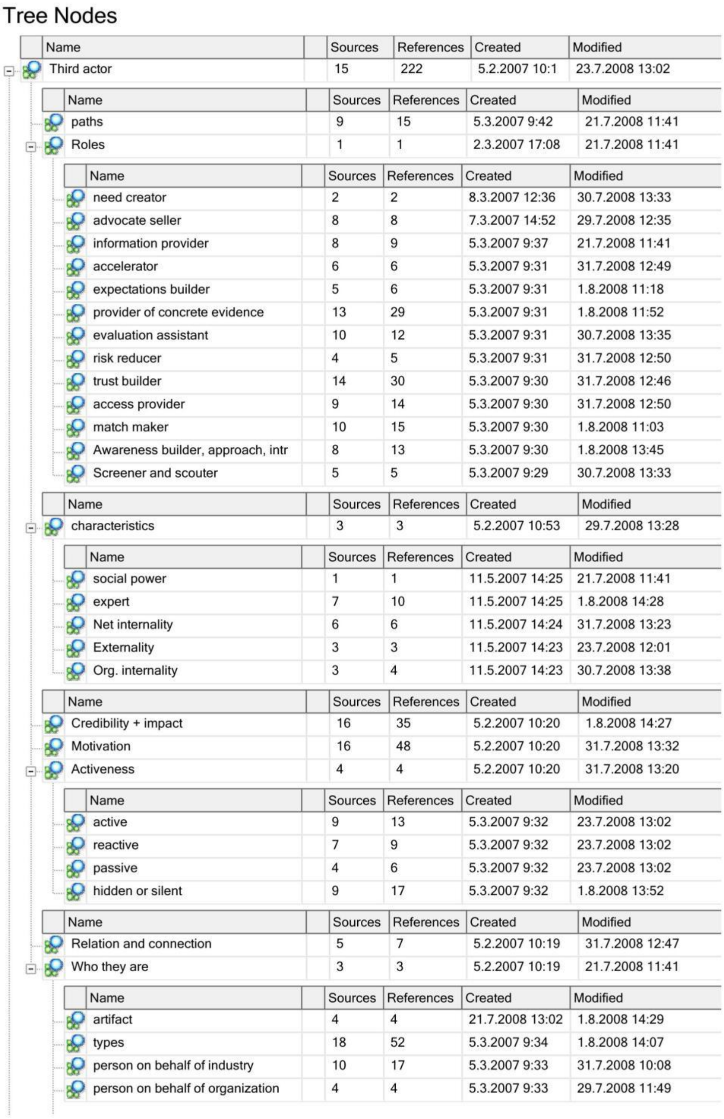
The externals: How existing customers and other business contacts impact customer acquisition? Any cases in which a customer or another actor has positively impacted?

Communication: What kinds of references are used? How they are used? In which form are they used? What information is important in references? Why references are used? Who/what kind of references are the best references and why? Who usually refers you? Whose recommendations/referrals do you usually ask/listen for? Why these people give recommendations? In which situations recommendations/referrals are given? How these people/organizations are involved in recommendations? What is important in a recommendation/referral?

Appendix 4 Triad picture


ASIANTUNTIJA-
PALVELUYRITYS
myyjä/palveluntarjoaja
UUSI ASIAKAS
palvelun ostaja
KOLMAS OSAPUOLI
- aiempi asiakas
- muu businesskontakti

Appendix 5 Main codes (a view from NVivo)



Tree Nodes

Name	Sources	References	Created	Modified
Third actor	15	222	5.2.2007 10:1	23.7.2008 13:02

Name	Sources	References	Created	Modified
paths	9	15	5.3.2007 9:42	21.7.2008 11:41
Roles	1	1	2.3.2007 17:08	21.7.2008 11:41

Name	Sources	References	Created	Modified
need creator	2	2	8.3.2007 12:36	30.7.2008 13:33
advocate seller	8	8	7.3.2007 14:52	29.7.2008 12:35
information provider	8	9	5.3.2007 9:37	21.7.2008 11:41
accelerator	6	6	5.3.2007 9:31	31.7.2008 12:49
expectations builder	5	6	5.3.2007 9:31	1.8.2008 11:18
provider of concrete evidence	13	29	5.3.2007 9:31	1.8.2008 11:52
evaluation assistant	10	12	5.3.2007 9:31	30.7.2008 13:35
risk reducer	4	5	5.3.2007 9:31	31.7.2008 12:50
trust builder	14	30	5.3.2007 9:30	31.7.2008 12:46
access provider	9	14	5.3.2007 9:30	31.7.2008 12:50
match maker	10	15	5.3.2007 9:30	1.8.2008 11:03
Awareness builder, approach, intr	8	13	5.3.2007 9:30	1.8.2008 13:45
Screener and scouter	5	5	5.3.2007 9:29	30.7.2008 13:33

Name	Sources	References	Created	Modified
characteristics	3	3	5.2.2007 10:53	29.7.2008 13:28

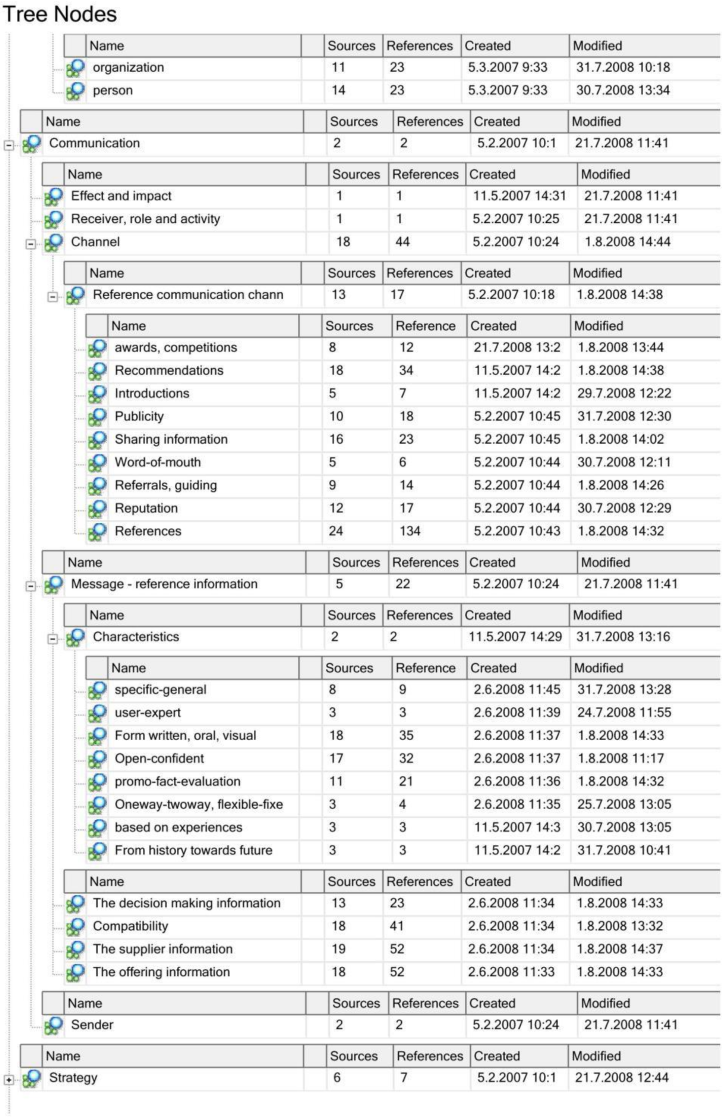
Name	Sources	References	Created	Modified
social power	1	1	11.5.2007 14:25	21.7.2008 11:41
expert	7	10	11.5.2007 14:25	1.8.2008 14:28
Net internality	6	6	11.5.2007 14:24	31.7.2008 13:23
Externality	3	3	11.5.2007 14:23	23.7.2008 12:01
Org. internality	3	4	11.5.2007 14:23	30.7.2008 13:38

Name	Sources	References	Created	Modified
Credibility + impact	16	35	5.2.2007 10:20	1.8.2008 14:27
Motivation	16	48	5.2.2007 10:20	31.7.2008 13:32
Activeness	4	4	5.2.2007 10:20	31.7.2008 13:20

Name	Sources	References	Created	Modified
active	9	13	5.3.2007 9:32	23.7.2008 13:02
reactive	7	9	5.3.2007 9:32	23.7.2008 13:02
passive	4	6	5.3.2007 9:32	23.7.2008 13:02
hidden or silent	9	17	5.3.2007 9:32	1.8.2008 13:52

Name	Sources	References	Created	Modified
Relation and connection	5	7	5.2.2007 10:19	31.7.2008 12:47
Who they are	3	3	5.2.2007 10:19	21.7.2008 11:41

Name	Sources	References	Created	Modified
artifact	4	4	21.7.2008 13:02	1.8.2008 14:29
types	18	52	5.3.2007 9:34	1.8.2008 14:07
person on behalf of industry	10	17	5.3.2007 9:33	31.7.2008 10:08
person on behalf of organization	4	4	5.3.2007 9:33	29.7.2008 11:49



Tree Nodes

Name		Sources	References	Created	Modified
organization		11	23	5.3.2007 9:33	31.7.2008 10:18
person		14	23	5.3.2007 9:33	30.7.2008 13:34

Name		Sources	References	Created	Modified
Communication		2	2	5.2.2007 10:1	21.7.2008 11:41

Name		Sources	References	Created	Modified
Effect and impact		1	1	11.5.2007 14:31	21.7.2008 11:41
Receiver, role and activity		1	1	5.2.2007 10:25	21.7.2008 11:41
Channel		18	44	5.2.2007 10:24	1.8.2008 14:44

Name		Sources	References	Created	Modified
Reference communication chann		13	17	5.2.2007 10:18	1.8.2008 14:38

Name		Sources	Reference	Created	Modified
awards, competitions		8	12	21.7.2008 13:2	1.8.2008 13:44
Recommendations		18	34	11.5.2007 14:2	1.8.2008 14:38
Introductions		5	7	11.5.2007 14:2	29.7.2008 12:22
Publicity		10	18	5.2.2007 10:45	31.7.2008 12:30
Sharing information		16	23	5.2.2007 10:45	1.8.2008 14:02
Word-of-mouth		5	6	5.2.2007 10:44	30.7.2008 12:11
Referrals, guiding		9	14	5.2.2007 10:44	1.8.2008 14:26
Reputation		12	17	5.2.2007 10:44	30.7.2008 12:29
References		24	134	5.2.2007 10:43	1.8.2008 14:32

Name		Sources	References	Created	Modified
Message - reference information		5	22	5.2.2007 10:24	21.7.2008 11:41

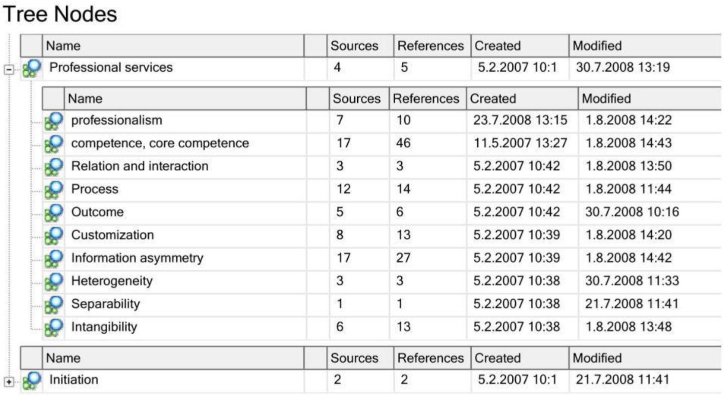
Name		Sources	References	Created	Modified
Characteristics		2	2	11.5.2007 14:29	31.7.2008 13:16

Name		Sources	Reference	Created	Modified
specific-general		8	9	2.6.2008 11:45	31.7.2008 13:28
user-expert		3	3	2.6.2008 11:39	24.7.2008 11:55
Form written, oral, visual		18	35	2.6.2008 11:37	1.8.2008 14:33
Open-confident		17	32	2.6.2008 11:37	1.8.2008 11:17
promo-fact-evaluation		11	21	2.6.2008 11:36	1.8.2008 14:32
Oneway-twoway, flexible-fixe		3	4	2.6.2008 11:35	25.7.2008 13:05
based on experiences		3	3	11.5.2007 14:3	30.7.2008 13:05
From history towards future		3	3	11.5.2007 14:2	31.7.2008 10:41

Name		Sources	References	Created	Modified
The decision making information		13	23	2.6.2008 11:34	1.8.2008 14:33
Compatibility		18	41	2.6.2008 11:34	1.8.2008 13:32
The supplier information		19	52	2.6.2008 11:34	1.8.2008 14:37
The offering information		18	52	2.6.2008 11:33	1.8.2008 14:33

Name		Sources	References	Created	Modified
Sender		2	2	5.2.2007 10:24	21.7.2008 11:41

Name		Sources	References	Created	Modified
Strategy		6	7	5.2.2007 10:1	21.7.2008 12:44



Tree Nodes

Name	Sources	References	Created	Modified
Professional services	4	5	5.2.2007 10:1	30.7.2008 13:19

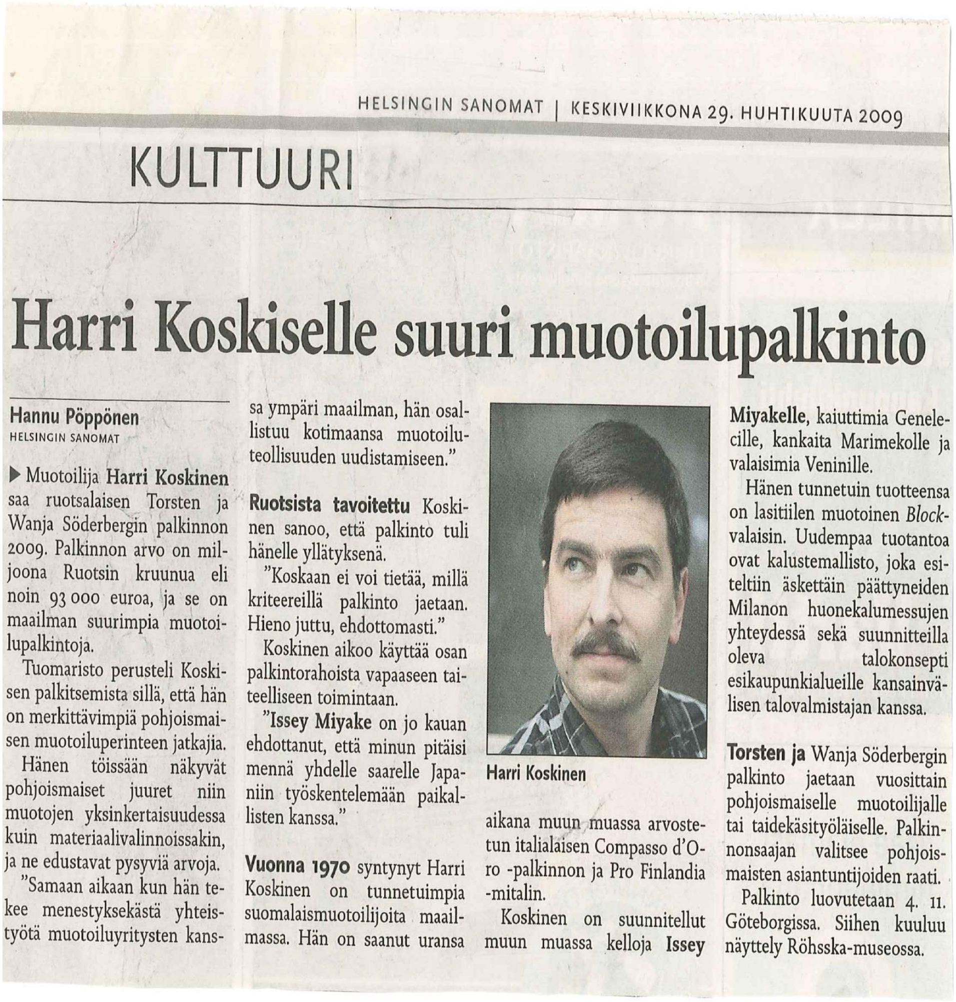
Name	Sources	References	Created	Modified
professionalism	7	10	23.7.2008 13:15	1.8.2008 14:22
competence, core competence	17	46	11.5.2007 13:27	1.8.2008 14:43
Relation and interaction	3	3	5.2.2007 10:42	1.8.2008 13:50
Process	12	14	5.2.2007 10:42	1.8.2008 11:44
Outcome	5	6	5.2.2007 10:42	30.7.2008 10:16
Customization	8	13	5.2.2007 10:39	1.8.2008 14:20
Information asymmetry	17	27	5.2.2007 10:39	1.8.2008 14:42
Heterogeneity	3	3	5.2.2007 10:38	30.7.2008 11:33
Separability	1	1	5.2.2007 10:38	21.7.2008 11:41
Intangibility	6	13	5.2.2007 10:38	1.8.2008 13:48

Name	Sources	References	Created	Modified
Initiation	2	2	5.2.2007 10:1	21.7.2008 11:41

Appendix 6 Case constructions

Case	**Main actors and informants**	**Main role**
Saw mill concern CompanyKS - Industrial design agency CompanySoS	A.S., CEO, senior designer	the seller party
	J.S., CEO, senior designer	the seller party
	T.H.	the buyer party
	Referee, no access	the referee
	Secondary data comprise reference objects and the seller agency’s web pages	
Grain manufacturer CompanyV - engineering agency CompanyE	H.H.	the seller party
	M.H.	the seller party (expert)
	S.K.	the buyer
	K.T.	the referee
	Secondary data comprise reference sites and the seller agency’s demonstration slides and web pages	
Fitness high tech firm CompanyNT - Design agency CompanyD	J.S.	the seller party
	T.T.	the referee
	A.J.	the buyer party
	M.A-K.	the buyer party
	Secondary data consists of reference objects, the seller agency’s demonstration slides and web pages	

Appendix 7 An example on secondary data: sharing reputational information through media



HELSINGIN SANOMAT | KESKIVIIKKONA 29. HUHTIKUUTA 2009

KULTTUURI

Harri Koskiselle suuri muotoilupalkinto

Hannu Pöppönen
HELSINGIN SANOMAT

▶ Muotoilija **Harri Koskinen** saa ruotsalaisen Torsten ja Wanja Söderbergin palkinnon 2009. Palkinnon arvo on miljoona Ruotsin kruunua eli noin 93 000 euroa, ja se on maailman suurimpia muotoilupalkintoja.

Tuomaristo perusteli Koskisen palkitsemista sillä, että hän on merkittävimpiä pohjoismaisen muotoiluperinteen jatkajia.

Hänen töissään näkyvät pohjoismaiset juuret niin muotojen yksinkertaisuudessa kuin materiaalivalinnoissakin, ja ne edustavat pysyviä arvoja.

”Samaan aikaan kun hän tekee menestyksekästä yhteistyötä muotoiluyritysten kanssa ympäri maailman, hän osallistuu kotimaansa muotoiluteollisuuden uudistamiseen.”

Ruotsista tavoitettu Koskinen sanoo, että palkinto tuli hänelle yllätyksenä.

”Koskaan ei voi tietää, millä kriteereillä palkinto jaetaan. Hieno juttu, ehdottomasti.”

Koskinen aikoo käyttää osan palkintorahoista vapaaseen taiteelliseen toimintaan.

”**Issey Miyake** on jo kauan ehdottanut, että minun pitäisi mennä yhdelle saarelle Japaniin työskentelemään paikallisten kanssa.”

Vuonna 1970 syntynyt Harri Koskinen on tunnetuimpia suomalaismuotoilijoita maailmassa. Hän on saanut uransa aikana muun muassa arvostetun italialaisen Compasso d’Oro -palkinnon ja Pro Finlandia -mitalin.

Koskinen on suunnitellut muun muassa kelloja **Issey Miyakelle**, kaiuttimia Genelecille, kankaita Marimekolle ja valaisimia Veninille.

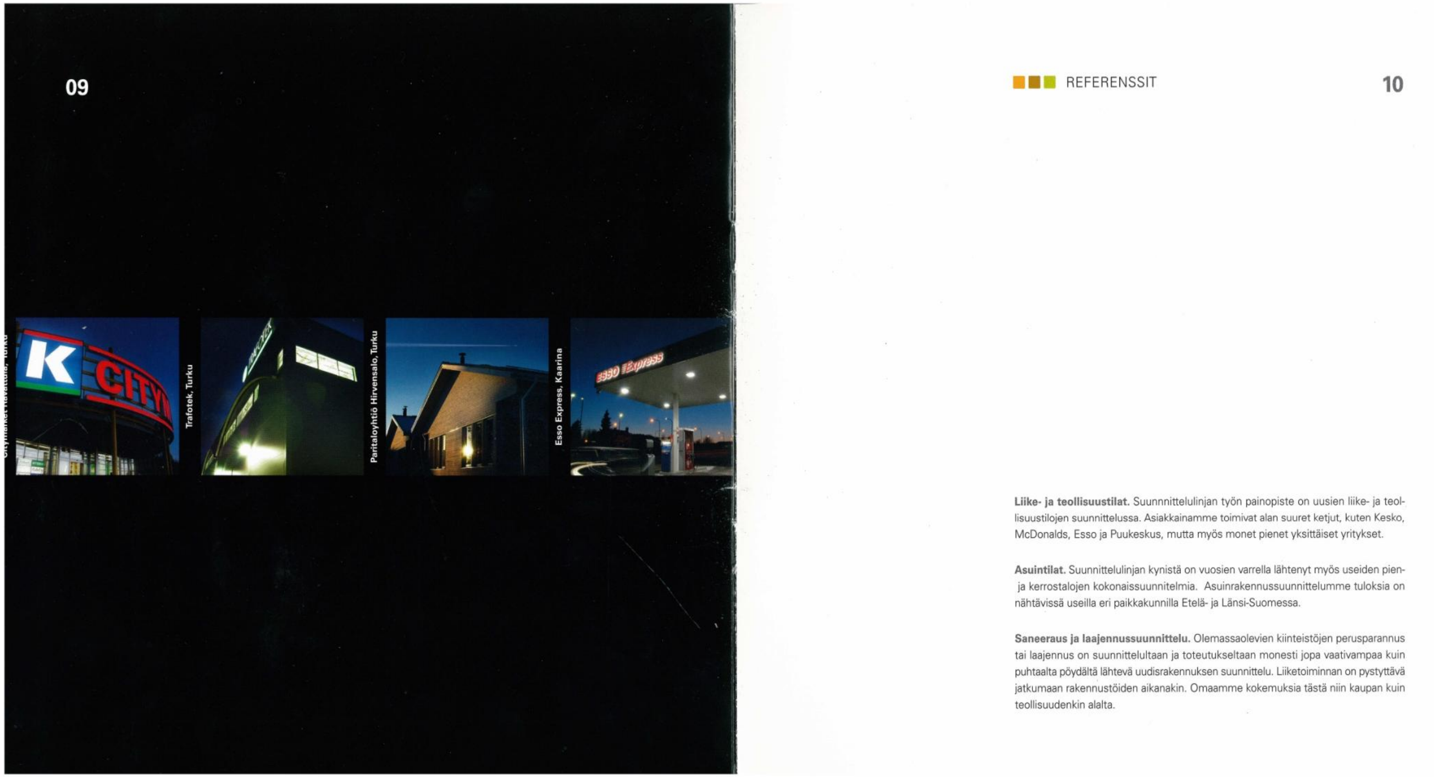
Hänen tunnetuin tuotteensa on lasitiilen muotoinen *Block*-valaisin. Uudempaa tuotantoa ovat kalustemallisto, joka esiteltiin äskettäin päättyneiden Milanon huonekalumessujen yhteydessä sekä suunnitteilla oleva talokonsepti esikaupunkialueille kansainvälisen talovalmistajan kanssa.

Torsten ja Wanja Söderbergin palkinto jaetaan vuosittain pohjoismaiselle muotoilijalle tai taidekäsityöläiselle. Palkinnonsaajan valitsee pohjoismaisten asiantuntijoiden raati.

Palkinto luovutetaan 4. 11. Göteborgissa. Siihen kuuluu näyttely Röhsska-museossa.

Harri Koskinen

Appendix 8 An example from secondary data: presenting references in brochure booklet



09

Citymarket Ravattula, Turku

Trafotek, Turku

Paritaloyhtiö Hirvensalo, Turku

Esso Express, Kaarina

K CITY
ESSO Express

REFERENSSIT 10

Liike- ja teollisuustilat. Suunnnittelulinjan työn painopiste on uusien liike- ja teollisuustilojen suunnittelussa. Asiakkainamme toimivat alan suuret ketjut, kuten Kesko, McDonalds, Esso ja Puukeskus, mutta myös monet pienet yksittäiset yritykset.

Asuintilat. Suunnittelulinjan kynistä on vuosien varrella lähtenyt myös useiden pien- ja kerrostalojen kokonaissuunnitelmia. Asuinrakennussuunnittelumme tuloksia on nähtävissä useilla eri paikkakunnilla Etelä- ja Länsi-Suomessa.

Saneeraus ja laajennussuunnittelu. Olemassaolevien kiinteistöjen perusparannus tai laajennus on suunnittelultaan ja toteutukseltaan monesti jopa vaativampaa kuin puhtaalta pöydältä lähtevä uudisrakennuksen suunnittelu. Liiketoiminnan on pystyttävä jatkumaan rakennustöiden aikanakin. Omaamme kokemuksia tästä niin kaupan kuin teollisuudenkin alalta.

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