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## Emerging relationships: How are they born?

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## ABSTRACT

During the last thirty years, IMP researchers have greatly improved our understanding of business relationships. However, the question of how a business relationship emerges has only aroused a small amount of interest. To bridge this gap, this paper tackles the subject of the 'birth' of business relationships. It sets out to contribute to our understanding of a relevant phenomenon – the initiation of business relationships – by building a conceptual framework.

Relationship Emerging Flow, the conceptual framework used in this paper, is based on an analysis of the IMP and relationship marketing approaches to relationship stages, the relationship-forming literature of inter-organizational relationship studies and the related part of trust literature. It is also nurtured by case study-based empirical evidence. The conceptual framework deals with both the individual and organizational levels and includes consideration of trigger issues and the existence of different trust building scenarios in whole bonding trust.

The emergence of a new business relationship is a result of a complex interactive process. In this paper we examine only the first stage: the birth of a new relationship. This spans the period from a starting situation in which potential partners have no knowledge of each other to the creation of the conditions for building a relationship. Trigger issues are important factors in the parties' awareness and initiation. Interaction processes, moderated by trust-building scenarios, create the conditions that allow actors to keep on building relationships.

To illustrate the different steps of this flow and to identify the trigger issues we supply examples of various emerging business relationships at a large Hungarian industrial firm called Videoton.

In addition to the construction of the Relationship Emerging Framework the novelty of our approach is that, unlike the vast majority of research on trust, we study the period of bonding trust that leads to the relationship rather than that which already exists in a relationship.

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## 1. Introduction

Over more than three decades IMP researchers have made a great contribution to the knowledge which exists about business relationships, partly by developing the Interaction Model (Håkansson, 1982) and the evolution of relationships model (Ford, 1980). They have also deeply analyzed the management of business relationships (Ford et al., 1998). Interestingly, the question of how a business relationship emerges has only received a small amount of interest. In a seminal article, Ford (1980) analyzes the pre-relationship stage from the point of view of the buyer, focusing on the main causes and drivers and

examining why the buyer becomes ready to look for or to accept a new potential supplier. But his paper "is less concerned with the reasons for the choice of buyer or seller partners (although this is acknowledged as a question of considerable importance!" (Ford, 1980:341)).

The research questions in this article are designed to guide the investigation into the emerging process of a new business relationship. How is a business relationship born? How do two previously unknown-to-each-other potential partners start to interact in the hope of making a future business exchange? Knowing that "relationships can fail to develop or regress depending upon the actions of either party or of competing buyers or sellers" (Ford, 1980:341), this paper presents some tentative answers to these questions.

It is evident that, even in a new business relationship, trust plays a certain role (Wilson, 1995). As trust is a dynamic phenomenon with three phases (Rousseau, Sitkin, Burt, & Camerer, 1998) of which building is the first, our focus is on trust-building during the emergence of business relationships. In sum, in this paper we focus on the birth of business relationships.

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The paper is organized as follows: firstly, a short theoretical part deals with relevant issues such as the role of trust and the interaction process. Secondly, business relationship emerging flow, a new conceptual framework for the birth of business relationships, is developed. After a short methodological section, a case study is presented to illustrate these theoretical propositions. The paper ends by presenting conclusions and suggesting some avenues for future research.

## 2. Theoretical foundations

As our primary interest is the birth of a new relationship, from this special perspective we firstly analyze business relationship development models that are based on different theoretical foundations (IMP research, relationship marketing, strategy and organizational theory). Applying the concepts that arise from this analysis, we study the process by which partners emerge and begin the process of mutually building a relationship. The topic of trust and trust building is dealt with in brief with a focus only on literature that concerns trust formation. The concept of ‘whole bonding trust’ is developed at the end of this section.

A *business relationship* is an interactive exchange relationship between two organizations. An exchange relationship, which always has economic and social elements, in fact links activities, resources and actors (Håkansson & Snehota, 1995). Typically, relatively small numbers of individuals are involved in a business relationship: not the whole organization, but two smaller groups of people; ‘the buying centre’ (Webster & Wind, 1972) and ‘the selling center’ (Bonoma & Johnston, 1978) are engaged in interaction. Accordingly, within the buyer–seller relationship we can differentiate four participants: 1) the buyer organization; 2) the individuals representing the buyer organization in the relationship with the seller; 3) the selling organization; and, 4) the individuals who represent the selling organization – salespeople and others. Consequently, actor bonds (Håkansson & Snehota, 1995) generally have two dimensions: connections at an organizational level and connections at an individual level, as indicated by the Interaction Model (Håkansson, 1982).

### 2.1. Business relationship development models

Business relationship development literature considers the development of buyer–seller relationships as a time-bound process with several stages. These models generally describe relationships at the inter-organizational level.

Ford (1980) differentiates five, non-sequential stages. In the pre-relationship stage (the first stage) the partners are not yet in contact; the situation concerns the evaluation of a new potential supplier. The second stage (the early stage) concerns the negotiation of a sample delivery. A signed contract or a build-up of deliveries characterizes the third stage (the development stage). After several major purchases or large scale deliveries the relationship reaches its fourth stage: the long-term stage. The fifth, final stage occurs with long-established stable markets (Ford, 1980).

Dwyer, Schurr, and Oh (1987) describe the relationship development process using a four-step model. Awareness, exploration, expansion and commitment are the four phases. Awareness concerns the “unilateral considerations of potential partners” (Dwyer et al., 1987:21). Dyadic interaction occurs during the second phase. Expansion is characterized by mutual satisfaction. In the commitment phase “shared values and governance structures support joint investment in relation” (Dwyer et al., 1987:21).

Wilson (1995) identifies five stages of relationship development: partner selection, defining purpose, setting relationship boundaries, creating relationship value and relationship maintenance. He integrates 13 relationship variables into his model and explains their roles according to the different stages. Social bonds, mutual goals, reputation, performance satisfaction and trust are the variables employed at the partner search and selection stage.

Larson (1992)’s process model has three phases. Defining the pre-conditions for exchange comprises the first phase. The second phase involves specifying the conditions for building the relationship, while the third relates to integration and control. In her model, personal reputation, preexisting relationships between connected people and firm reputations are the historical preconditions for the formation of new business relationships.

At an interpersonal level Levinger (1980) and Huston and Levinger (1978) undertook a longitudinal analysis of partner relationships. Rooted in family sociology, Levinger (1980) proposes a five-phase sequence of long-term pair processes which extends from initial attraction to building a relationship, continuation, deterioration, and ending. He considers the transitions between adjacent phases. What is interesting in his model is that, after relationship building, there exists a variety of scenarios for arriving at an ending. Table 1 presents a summary of these models.

Since these models represent different scientific fields of inquiry (e.g. marketing, management, sociology and social psychology) and concepts, the characterization of the different stages certainly cannot be compared. Both inter-personal and inter-organizational relationships are examined in this research. Despite the heterogeneity of the studies it is important to note that almost the same expressions appear in these very different approaches to relationship development (e.g. ‘similarity’, ‘dependency’, ‘trust’, and ‘commitment’).

### 2.2. Focus of the paper: the birth of business relationships

In our paper we focus on the birth of business relationships. For this purpose we analyze the first stages of these different models. They do not deal directly with the birth of the relationship but the concepts and the processes they describe provide a good foundation for our work. It is also advantageous that these models are based on different theoretical bases, thus their analyses broaden our view.

We consider trust to be a necessary component in the relationship-building process since we accept the general statement of Simmel (1950 cited in Lane, 2002:10), that: “society is made up by relations of social exchange, and exchange would not be possible without trust”, and we consider that trust is a social element in a business relationship (Morgan & Hunt, 1994). Neither in the literature of relationship stages nor in the literature of trust that we examined did we encounter consensus about at which stage trust first appears. For example, in Larson (1992) trust is one of the conditions for building (the second stage of the relationship). “While some theorists claim that trust cannot be intentionally created but it is emergent, others hold the opposite opinion.” (Lane, 2002:21). In Ford (1980), trust first appears at the Development Stage, since it requires experience prior to its emergence. Based on the multi-disciplinary approach of Rousseau et al. (1998), in our paper we consider trust to be a moderating variable which can help and facilitate partners’ actions and decision making.

In the literature trust which requires prior experience and which appears in a pre-established relationship is examined and calculated quantitatively (e.g. Sako, 1992) and generally called as measured trust. In this paper we focus on emerging relationships and the antecedents of measured trust which we call non-measured trust or perceived trust (Mayer, Davis, & Schoorman, 1995). Hence, in the description of our theoretical foundation which follows we introduce only literature on trust formation and not literature about trust as a whole.

### 2.3. The birth of relationships in the mirror of stage models

Based on the synthesis of the five models we have the following picture. The first stage in most models is characterized by its assumption of a lack of pre-existing business exchanges between future partners. The only exception is provided by Wilson (1995), who restructured in his model’s first stage the awareness and the exploration stages of Dwyer et al. (1987). Generally, partners begin to recognize the other participant and to turn towards each other but most of their actions remain

**Table 1**  
Relationship stage models.

Authors	Stages of relationship building						Focus of the paper				
Ford (1980)	The Pre-Relationship Stage	➔	The Early Stage	➔	The Development Stage	➔	The Long-Term Stage	➔	The Final Stage	Inter-organizational relationships	
Dwyer et al. (1987)	Awareness	➔	Exploration	➔	Expansion	➔	Commitment	➔	Dissolution	Inter-organizational relationships	
Wilson (1995)	Partner selection	➔	Defining purpose	➔	Setting of relationship boundaries	➔	Creating relationship value	➔	Relationship maintenance	Inter-organizational relationships	
Larson (1992)	Preconditions for Exchange	➔	Conditions for Building	➔	Integration and Control						Inter-organizational relationships
Levinger (1980)	Attraction	➔	Building a Relationship	➔	Continuance: A Middle Phase	➔	Deterioration	➔	Ending	Interpersonal relationships	
Huston & Levinger (1978)	Awareness of others	➔	Surface contact	➔	Mutual relationship						Interpersonal relationships

Source: Authors' construction based on citations

unilateral (Dwyer et al., 1987). There is no interaction between companies as they evaluate their potential new partners (Ford, 1980), each “positioning” and “posturing” to each enhance their own attractiveness (Dwyer et al., 1987). Larson (1992) states that the companies and the individuals who enter in new relationship research were predisposed to having prior connections with particular firms and people because of their histories.

At an interpersonal level, “evaluating one’s attraction to another is part of even one’s most fleeting interpersonal judgments” (Levinger, 1980:524). All else being equal, attraction to others is facilitated by the reward they provide us with (Levinger, 1980).

The interesting question is what motivates and activates companies to identify and find new partners? What are the triggers for beginning a new relationship? What are the triggers for the emergence of a new business relationship?

Attractiveness is one important issue. At an interorganizational level this involves recognition of the feasibility of a relationship with a partner (Dwyer et al., 1987), a short distance (Ford, 1980) and situational proximity (Dwyer et al., 1987). At an interpersonal level the determinants of attraction during early acquaintance include others’ good looks, their agreement with one’s own attitudes and their apparent liking for us (Huston & Levinger, 1978). Proximity to another person is another elemental component of attractiveness (Levinger, 1980).

Reputation is another important trigger issue. Firm reputation (Larson, 1992) and reputation for performance (Wilson, 1995) operate at an inter-organizational level, while Larson (1992) emphasizes the significant role played by personal reputation.

Wilson (1995) defines social bonding as the degree of mutual personal friendship and liking shared by the buyer and seller. The author considers it to be an important element of partner search and selection. Larson (1992) points out the historical dimension of social bonding and embeddedness. “The history of personal relations shaped the context for the new exchange between organizations by reducing the risks. That is not to say economic incentives were absent but to point out what is often missing in the study of economic exchange, that a social context provides the environment within which economic exchange can be initiated” (Larson, 1992:84).

#### 2.4. Moving towards initiating

At the pre-relationship stage (Ford, 1980), partners do not yet know each other. At the awareness stage they consider the other to be feasible exchange partners (Dwyer et al., 1987). How do they arrive at this point? Levinger (1980) emphasizes the role of attraction. Gulati and Gargiulo (1999) consider the information search process to be the basis of the beginning of the process of relationship formation. Organizations seek out rich information about potential partners’ capabilities, reliabilities and interests. In this context, organizational reputation and third person referrals play a major role (Gulati & Gargiulo, 1999). A useful source of such information appears to be the network in which the organizations are mutually embedded. “The position of an organization in a network influences its ability to access information about potential partners as well as its visibility and its attractiveness to other organizations” (Kenis & Oerlemans, 2008:295).

These information-seeking activities may help both potential partners to obtain enough (rich) information to begin an interaction process. In other words; they are the trigger issues of awareness. Awareness can stimulate companies to initiate a relationship with a potentially feasible partner.

Initiation is a unilateral action (Dwyer et al., 1987) which happens notwithstanding uncertainty about a potential partner’s reaction. Levinger (1980) emphasizes the difficulties of relationship initiation, saying that “only a tiny fraction of those to whom we are attracted do we try to initiate a relationship” (Levinger, 1980:524). At an inter-organizational level this difficulty is generally overcome as “organizations tend to select partners with whom they are familiar and about whom they are likely to have rich information” (Kenis & Oerlemans, 2008:294). In any case, the risk of relationship initiation involves uncertainty about whether a potential partner will respond (satisfactorily) or not. Huston and Levinger (1978) state that liking leads to affiliation only when one desires to expand one’s interpersonal connections and when one anticipates a favorable response from the other.

What pushes companies towards initiating a relationship? Larson (1992) underlines the fact that one firm must take the lead in the



interaction process. Wilson (1995) argues for the importance of the company's reputation based on its performance. Levinger (1980) emphasizes the competent behavior of others, their positive responsiveness, their apparent liking for us and their proximity. Larson (1992) argues that personal reputations, prior relations between connected people and firm reputations help us to get to know each other.

These trigger issues may push companies to take the next step. After the initiation of a relationship and the receipt of positive feedback a company is ready to become involved in a process of interaction with its new partner. Any type of bilateral interaction marks the beginning of the next phase of potential relationship development (Dwyer et al., 1987).

### 2.5. The beginning of the interaction process

The interaction process (Håkansson, 1982) “considers that either buyer or seller may take the initiative in seeking a partner” (Ford, 1980:340). The interaction process generally begins with information exchange episodes followed by social exchange episodes (Håkansson, 1982). Information can be transferred between the parties by either personal or impersonal means. Impersonal communication is often used to transfer basic technical and/or commercial data. “Personal channels are more likely to be used for the transfer of ‘soft data’ concerning, for example, the use of a product, the conditions of an agreement between the parties, or supportive or general information about either party” (Håkansson, 1982:24). Social exchange episodes refer to the different types of personal contacts between the persons involved in the relationships. Social exchange episodes have an important function in reducing uncertainties between the two parties (Håkansson, 1982). These exchange episodes also manage interdependence (Ford, 1980). Exchange episodes demand an investment of time, technology (information exchange) and human resources (social exchange).

Uncertainty concerns the potential costs and benefits which are likely to be involved in dealing with a new partner (Ford, 1980). Moreover, it relates to the predictability of the new partner's behavior. Furthermore, “uncertainty regarding whether the other intends to and will act appropriately is the source of risk” (Rousseau et al., 1998:395). Interdependence is one of the key concepts of the IMP approach (Håkansson, 2006) and is generally defined as the ensemble of activity links, resource ties and actor bonds (Håkansson & Snehota, 1995). However, at the beginning of the interaction process the application of a more general definition seems more appropriate. In this sense, interdependence means that “the interests of one party cannot be achieved without reliance upon another” (Rousseau et al., 1998:395). On the whole, the interaction process also involves uncertainty, risk and interdependence (Håkansson et al., 2009).

### 2.6. The trust-building process

Exposure to risk and interdependence is not necessarily a negative thing. These factors are necessary components of trust (Rousseau et al., 1998). Trust is a complex phenomenon which has many definitions, none of which is unanimously accepted (Castaldo, Premazzi, & Zerbin, 2007). In this paper our starting point is Rousseau et al.'s (1998) multidisciplinary definition. “Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (Rousseau et al., 1998:395). It is important to emphasize that trust is not a behavior or a choice “but an underlying psychological condition that can cause or result from such actions” (Rousseau et al., 1998:395). This underlying role of trust is manifested in the results of trust. Predictability of another person's behavior and the fact that behavior produces outcomes that are favorable to the trustor's objectives are two typical results of trust (Castaldo et al., 2007). For the partners involved in the interaction process the benefit of trust is that it facilitates the creation of information and social exchange episodes and helps with decision making about

whether to invest the time and effort to continue doing so. In this indirect way trust can help when approaching potential partners. Trust has a moderating role which shapes (Rousseau et al., 1998) the interaction process and the relationship which exists between partners.

According to Sahay (2003), from the perspective of the survival of business relationships it is essential that we become familiar with the factors which lead to the formation of trust. The basis of trust-forming factors concerns to what extent a partner is able to predict the behavior of another party in advance. In this process, the sharing of information and the existence of prior information about a partner plays a primary role.

Doney, Barry, and Abratt (2007) in their study about B2B services analyzed social interaction and open communications among the social antecedents of trust. They concluded that in the formation of trust, *social interaction* and *open communication* both play an important role.

In their commitment–trust theory, Morgan and Hunt (1994) define five antecedents of commitment and trust. These are: relationship termination costs; relationship benefits; shared values; communication; and opportunistic behavior. Relationship termination costs and relationship benefits influence commitment and communications, while opportunistic behavior influences trust, and shared values influence both trust and commitment. In the authors' model, trust has a direct effect on relationship commitment. One of the findings of the study is that there may exist a coercive power which negatively influences commitment and trust. This power originates from relationship termination costs and relationship benefits.

The relationship between *communication* and trust was empirically examined by Bialaszewski and Giallourakis (1985), Anderson, Håkansson, and Johanson (1994) and Dwyer et al. (1987), among others. The empirical research did not provide an unambiguous answer to the direction of the relationship between the two variables. While Anderson et al. (1994) came to the conclusion that communication leads to trust, Dwyer et al. (1987) came to the conclusion that communication is the *result* of trust. Anderson and Narus (1990) define the variable relationship between trust and communication as an iterative process. Communication between companies is a prerequisite for trust, and increases in trust lead to better communication (Anderson & Narus, 1990).

Based on an extensive literature review, Smirnova, Salmi, and Blomqvist (2012) argued that *expectations* and *relational norms* are important preconditions for trust-building. The authors propose that “there is a certain initial component of trust-based expectations, moderated by specific relational norms, internalized by partners and their relative importance ... They would have direct impact on formation of trust” (Smirnova et al., 2012:5). Expectations, relational norms and trust are all the results of interaction dynamics (Smirnova et al., 2012) and all of them exist in time and are created by processes.

According to Blomqvist and Ståhle (2000), trust is defined as an “actor's expectation of the other party's competence, goodwill and behavior”. From our perspective, the interesting question is how the actor becomes aware of the competence, goodwill and behavior of the other actor. On the basis of literature and their personal experience the aforementioned authors created a model of how organizational trust is built, and identified the organizational and individual bases for trust. They list the following organizational bases for trust: organizational character (self-reference); structure; goals and vision; culture; values; managerial philosophy, and competence. The individual bases for trust are: personal character (self-reference); role clarity and stretching; personal goals and vision; propensity to trust; personal integrity and reliability; personal values and competence (Blomqvist & Ståhle, 2000:13). Although the model has not been empirically tested, it provides important input for our research.

According to Doney and Cannon (1997), the basis of trust is how the partners evaluate each other's credibility and benevolence; this requires that one partner must possess information about the other party's

behavior and promises. In business relationships, trust has two dimensions which are based on two perceptions: one of the partner's benevolence (motivation) and the other of their credibility (ability) (Andaleeb, 1992). *Bonding trust* refers to when both the dimensions of benevolence (motivation) and credibility (ability) are positive and high (Andaleeb, 1992).

The development of bonding trust (Andaleeb, 1992) may operate at both an interpersonal and inter-organizational level as the result of an *interaction process* between the two organizations (Ford, 1980) and between the two groups of people involved in the relationship. This interaction process is typically based on and begins with communication (and later on, meeting) between two people. Bonding trust (perception, together with benevolence and credibility) relates here to both objects (Castaldo et al., 2007) of trust (a person or an organization) simultaneously. We define as *whole bonding trust* a situation in which the perception of a partner's benevolence and credibility simultaneously refers to a person and an organization, as illustrated in Fig. 1. Of course, an individual is usually a representative of a particular organization. Whole bonding trust as a moderating variable (Morgan & Hunt, 1994) seems to be an important facilitator (Barney & Hansen, 1994; Wilson, 1995) of an emerging business relationship. Whole bonding trust seems to be a fundamentally important condition for establishing an emerging (new) business relationship (Barney & Hansen, 1994; Morgan & Hunt, 1994; Wilson, 1995).

There are several ways (scenarios) by which the interaction process may enter a state of whole bonding trust. One scenario could start with a partner's positive perception of another agent's benevolence and later be followed by credibility, but the process may also work in the opposite direction. Regarding the object of trust, two scenarios could also exist; trust may be bestowed on an organization and then be extended to an individual, or vice versa. Fig. 2 illustrates these scenarios.

Over time, perceived bonding trust must be supported by experienced trust related to the interaction process and conveyed by all the types (information, social, product and service and financial) of exchange episodes (Håkansson, 1982). This transition from perceived trust to experienced trust (Mayer et al., 1995) is described as happening at different stages of business relationship evolution models (Dwyer et al., 1987; Ford, 1980; Larson, 1992; Wilson, 1995), as described in the earlier sections of this paper.

'Conditions to build' is the second stage of Larson's (1992) process model. In this trial phase partners "relied heavily on trust and ... successful evolution also appeared to require one side to initiate the iterative process toward relationship" (Larson, 1992:87). Positive perceptions at both a personal and organizational level of the partner's benevolence and credibility (i.e. whole bonding trust) are favorable conditions that support the building process.

In the following section of the paper we summarize the above-developed theoretical propositions about the birth of business relationships and present our conceptual framework.

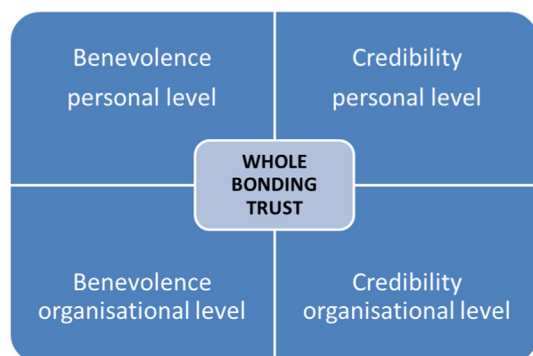


Fig. 1. Whole bonding trust. Source: Authors' construction.

### 3. The conceptual framework: Relationship Emerging Flow

The birth of a relationship is a process. This process is the result of the decisions and the actions of the actors who are involved. These decisions and actions are related to future business relationships. Both occur at an interpersonal and inter-organizational level.

The starting point for the birth, the process of emergence, is the simple co-existence of the actors in space and time. At this moment partners are not yet conscious of the existence of one other. The next step involves one-sided perception or reflection and relates to how the awareness of an actor is raised to the level that they consider another actor to be a potential partner. In the initiation step, the actor makes an approach towards the potential partner. First contact may happen directly or indirectly with the help of a third person. In the case of positive feedback, the two actors commence the interaction process which involves building the business relationship.

The trigger issues create this process of emergence. When the conditions or the antecedents of a decision or of an activity are in place, trigger issues make it happen. However, trigger issues are not equivalent to antecedents or to actions. Trigger issues transform what is potential into what is real. Their role is very similar to the role of catalysts in chemical processes.

In the emergence process decisions are made (e.g. choice of partner) and actions are undertaken (e.g. initiation and interaction) which can be characterized by uncertainty and mutual dependence. In these situations trust can play an important, moderating role. This moderation means that trust as a psychological state can help at both the interpersonal and inter-organizational level with the actors' decisions and actions that concern the building of a new relationship. Trust can decrease uncertainty, and consequently the risk involved in decision making that is related to the expected behavior of the potential partner. The more predictable the partner's behavior is, the easier and simpler the management of interdependence.

By combining our literature analysis with the deductive concepts of whole bonding trust and trust building scenarios we have constructed a conceptual framework of the process of emergence of a new business relationship. This so-called *Relationship Emergence Flow* helps explain the birth of a new business relationship. Fig. 3 illustrates the framework.

Relationship Emerging Flow contains four stages. In the starting situation (Ford, 1980; Levinger, 1980) future actors do not yet know each other, but they co-exist in proximity (Levinger, 1980), generally in the same network (Kenis & Oerlemans, 2008). At the awareness stage, (Dwyer et al., 1987) an actor makes a choice among feasible partners and initiates contact (Levinger, 1980). These decisions and unilateral actions happen in a state of uncertainty (Ford, 1980; Rousseau et al., 1998) which infers risk (Rousseau et al., 1998) and the problem of dealing with interdependence (Håkansson & Snehota, 1995; Rousseau et al., 1998).

Both individual and organizational-level trigger issues may push actors to begin the mutual interaction process. Individual trigger issues include personal reputation (Larson, 1992; Wilson, 1995), prior relations (Larson, 1992) and referral (Gulati & Gargiulo, 1999). Organizational level trigger issues include network position (Kenis & Oerlemans, 2008), attractiveness (Dwyer et al., 1987; Ford, 1980), goodwill (Gulati & Gargiulo, 1999; Larson, 1992; Wilson, 1995), visibility (Kenis & Oerlemans, 2008) and the role of initiator (Larson, 1992).

Assuming a positive response to relationship initiation is forthcoming (Huston & Levinger, 1978), an interactive learning process (Huston & Levinger, 1978) begins. This interaction process (Håkansson, 1982) is composed of information and social exchange episodes (Håkansson, 1982) which mutually create the conditions to build (Larson, 1992) a business relationship. Different trust building scenarios may be followed in the creation of whole bonding trust which includes perceptions about a partner's benevolence and credibility, simultaneously and at both a personal and an organizational level. Trust

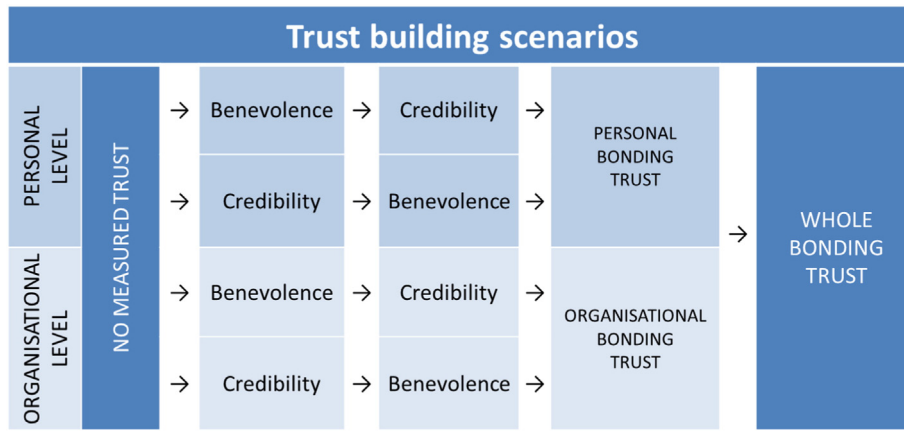


Fig. 2. Trust building scenarios. Source: Authors' construction.

(Rousseau et al., 1998) facilitates decision making and the action (Rousseau et al., 1998) necessary for relationship building interactions.

In sum the Relationship Emergence Flow model concerns the period from recognition to interaction and begins with a flow of information (about the characteristics of the potential partner), continues with unilateral action (initiation) and ends with reciprocity (engagement in an interaction process). Over time, the emergence process becomes increasingly rich in the sense that the information flow widens through unilateral action and becomes broader through interactive action. Emerging flow moves from the cognitive (awareness) to tangible individual activity (initiation) through to collaboration (interaction); from the simple to the complex.

4. Research method

The empirical data used for the analysis described in this paper are derived from a broader case study of the Hungarian industrial firm, Videoton. Data were originally collected for different purposes and for this paper only those empirical data were considered which had direct relevance to the research aims. Twenty-one in-depth interviews were conducted with managers at different levels at Videoton Automotive Electronics (a subsidiary company of Videoton Holding), plus one interview with a director and one with the vice-president. Furthermore, we undertook interviews with two of the CEOs of Videoton Holding. Each interview lasted approximately 1.5 h, although some were longer.

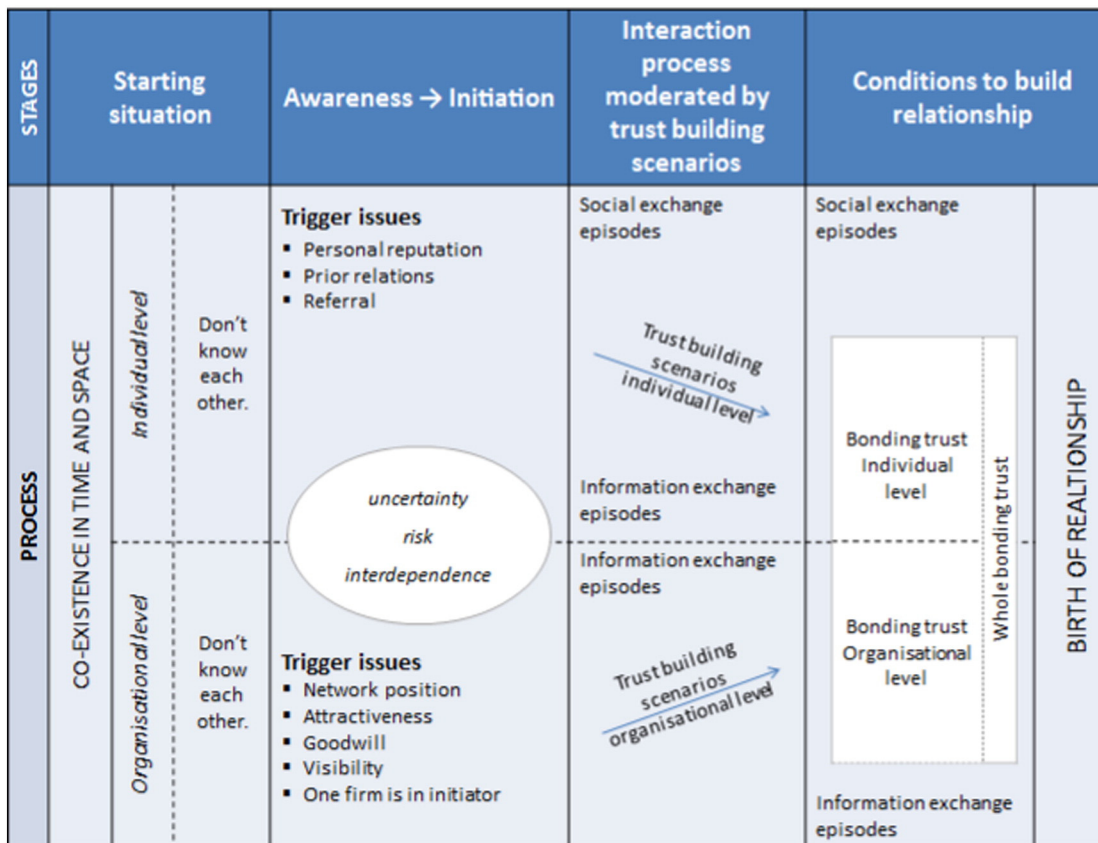


Fig. 3. Relationship Emerging Flow. Source: Authors' construction.



Interviews were voice and video recorded. In most cases 2 interviewers were present at each interview. All the interviews were conducted in November 2012, except for the interviews with the CEOs (who are also company owners) which were made in September 2013.

Since 2013 follow-up questions were responded to through a combination of face-to-face interviews, telephone and Skype conversations and e-mail exchanges.

Applying this rich and deep empirical database, in the next section we present illustrations of our conceptual framework. For this purpose we have identified two different cases of the emergence of a new relationship at Videoton. We employ insightful examples from the more than 550 pages of interview transcripts made of interviews with Videoton employees.

## 5. Relationship Emerging Flow: some empirical illustrations

In this paper we concentrate on the nature of the birth of a new relationship. As an empirical illustration we chose two of Videoton's relationships. In the case of these two relationships with customers named Company A and Company B (the names of the companies are not relevant to the research), the interesting point is that there were no direct antecedents of the relationships.

A brief overview of Videoton is firstly provided, followed by the two case illustrations about relationship emergence.

### 5.1. Videoton

Videoton Holding ([www.videoton.hu](http://www.videoton.hu)) was established in 1938 in Székesfehérvár in Hungary as a private company in the military mechanics industry. After the Second World War the company was nationalized. Over a period of forty years it changed its profile and became a huge electronic consumer goods company, supplying the largest part of the Hungarian market with significant additional exports to neighboring socialist countries and the USSR. Just after the political transition of 1989, the state-run Videoton underwent a major crisis and was ultimately privatized in 1995.

Today, the vertically-integrated Videoton is the largest Hungarian industrial group in local private hands to offer manufacturing and related services to industrial firms. The company is spread over nine locations in Hungary, one in Bulgaria (Stara Zagora) and one in Ukraine (Mukachevo). Videoton is a professional, regional, integrated supplier and contract manufacturing company, as well as being the fourth largest European EMS provider and the twenty-sixth largest globally. The company is also a competent multi-commodity supplier of parts, assemblies and modules, a professional regional EMS provider with extended engineering services, a turn-key contract manufacturing partner for outsourcing and transfer projects and also a complex service provider for the establishment and operation of industrial parks.

### 5.2. VT Automotive Electronics and Company A

Videoton's 25 specialized medium-sized subsidiaries provide a complete solution to its business partners from the Automotive Industry (39%), Household Appliances (22%) and Industrial Applications (29%). One of the major activities of Videoton is supplying components to automotive companies, which is done by VT Automotive Electronics. The subsidiary's primary partnership began in 1998 with the French company 'Company A' which is a Tier 1 supplier in the automotive industry and also the most important partner of VT Automotive Electronics and Videoton Holding. At that time, Videoton already had several years of experience supplying parts to the automotive industry. Correspondingly, they were aware of the strict quality requirements of the industry and they had the expertise, the manufacturing facilities and the human resources as well. The entire business of VT Automotive Electronics was based on one single customer. But in 1998 as this relationship stalled, VT found itself having to look for new customers.

Starting a relationship with Company A was not an obvious development for the company. In 1998, the company lacked both capital and liquidity; financial risk was at a high level. The managing director was therefore wary of establishing a relationship with the French company; however, the two CEOs of Videoton supported it. VT attempted to reach out by sending approximately 180 letters suggesting potential avenues of collaboration (e.g. proposals for cooperation, product offers and or tenders and quotes) to Company A at its different site locations. There was no answer. Steps were taken without knowing the customer's specific needs because Videoton seriously believed in the potential for the development of this relationship. While VT had no personal contact with Company A, the Videoton managers knew that Company A was one of the world leaders; a multinational with many different sites. They understood that the bureaucracy of such a multinational company was slow and complicated, but they were also convinced that if they could one day do business with Company A, it could account for a huge part of VT's capacity.

The relationship changed when a Videoton CEO persuaded a high-level manager at Company A to visit Videoton. The director of the Automotive Company recalls that *"an elderly gentleman arrived from Company A and sat down in the corner of the meeting room half-asleep as we explained what Videoton was doing. Suddenly, when I presented a slide indicating how many proposals had been sent to which subsidiaries of Company A, the gentleman became very angry, started yelling and got extremely excited. 'Company A can't be that bad, that frivolous! It is impossible that there was absolutely no feedback! It is unimaginable that after one hundred eighty proposals we don't know how we are with each other!' Then he went home. My bosses told me that I had screwed up. I shouldn't have been that honest. They told me that this was the end of the project."* However, the risk-taking approach paid off. After the visit the relationship with the French company started to develop. As the director of the automotive electronics company put it: *"This French manager arrived, and he went to the machine-shop ... we said to him 'look, here is the machine-shop' and there he could see a thousand workers. We had been capably supplying the automotive electronics industry for six to seven years and believed we would also be able to deliver to him. He believed us. I always say that marketing and sales are about selling capability which doesn't yet exist, but which I'm surely able to develop when there is demand for it."*

However, for successful relationship building there are other very important conditions. *"It is not just the partner's interests we need; on the other side we need a person who is the engine, the 'motor' of everything. So, people who try...of course, problems always occur, but they have to be solved in the shortest time. The whole thing has to go this way."* explained a senior manager of the company. First of all, negotiations about switches and contacts were held, then about other electronic components. Since 2002 VT Automotive Electronics has been delivering to 22 of Company A's sites (e.g. Argentina, Brazil, Mexico, China, Turkey, Portugal, Spain, Poland, Slovakia, the Czech Republic, and Romania).

### 5.3. Videoton Holding and Company B

The story of this relationship starts in 1995. The antecedents of the relationship go back to 1988, before the transition in Hungary. At that time one of the subsidiaries of Videoton which dealt with audiotechnics was engaged in a fruitful relationship with Sony Vega. The person responsible for managing the relationship at Videoton was the same manager who is today the business development director of Videoton. The company was already near to signing a contract about the manufacture of sound speakers for radio cassette players, but in 1990 when the political situation in Hungary became unstable, Sony finally backed out. After the transition the director attempted to renew the old relationship. Sony showed interest and the sales director of the component manufacturing division in Japan visited Videoton, hoping to sell components for use in manufacturing CD players. Videoton had some business

in this field but also they had commitments to other suppliers. The Japanese sales director was so enthusiastic that he made frequent visits – twice a year – to Videoton to examine the opportunities it presented. The last visit occurred at the beginning of 1995. The CEO of Videoton did not support these visits, but the business development director kept an open house. He remembers: “A manager from Sony used to visit us regularly as he wanted to sell us CD pick-ups. We told him that we were producing CD players but that it was the client who determined what kind of pick-ups must be used, thus we couldn't buy from him. Nevertheless, he came every year and looked at how we had developed. One day he played golf with the European boss of Company B. The Japanese manager asked him whether he knew an Eastern-European company that would manufacture car radios. This manager gave him my business card.” In September 1995, the business development director at Videoton got a phone call from the European boss of Company B. He explained that he was looking for a partner in Eastern Europe to manufacture car radios. He also promised to send some products by mail, which arrived within 2 weeks. The relationship with Company B blossomed and the first face-to-face meeting took place in October 1995. Following that, manufacturing started in March 1996. In that year, out of the 12,000 employees of Videoton, 300 worked on this project. Later, the number increased to 550 (out of a total of 19,000). The relationship was significant in terms of the value it added to Videoton, and lasted until 2002 (Company B had to break off the collaboration because its European audio division closed).

Through analysis of these two cases we can illustrate how business relationships are born and how partners start to interact. Two different whole bonding trust scenarios are also pointed up.

#### 5.4. Videoton case-analysis: some learning points

The two cases illustrate the stories of two different relationships which played out, and the participation of Company A, which is still playing an important role in Videoton. In the case of Company A the relationship was clearly at the stage of conditions to build. The two parties were in the interaction process (recall that about 180 proposals were sent to them and much information was exchanged). But there was still something significant that was lacking: social exchange. Videoton was in the situation of initiation as their representative invited a manager from Company A to Szekesfehervar in Hungary. Company A's manager's visit changed the situation, not immediately, but in a short time. As the foreign manager became convinced by the viability of the potential investment, and certainly by the behavior of Videoton and its people, he began to trust them. This trust moderated firstly his own personal, and after a while Company A's, behavior towards Videoton. This is interesting testimony which illustrates how social exchange episodes have an important function in reducing uncertainties between two parties.

The story of Company B is shorter but not less interesting. At the start, the two companies were not involved directly in the same network. In this situation the period of time from the raised awareness of Videoton about the general manager of Company B to the phase of relationship building was extremely short. The primary trigger issue was the referral of the Sony manager who had a very good and long-lasting personal relationship with the Videoton business development manager. The relationship was initiated by the general manager of Company B who called the unknown-to-him business development manager at Videoton. After positive feedback from the development manager, an organizational level information exchange episode (exchange of documentation) paved the route to the emergence of mutual relationship-building interaction.

The birth of these two business relationships also provides an illustration of trust building scenarios. Fig. 4 highlights the essential content of these cases.

In the case of Company A, the whole bonding trust building process began with the making of a variety of offers. At this phase, after receipt of numerous proposals (more than 180) Company A had a perception about the credibility and the benevolence of Videoton. Thus, at this

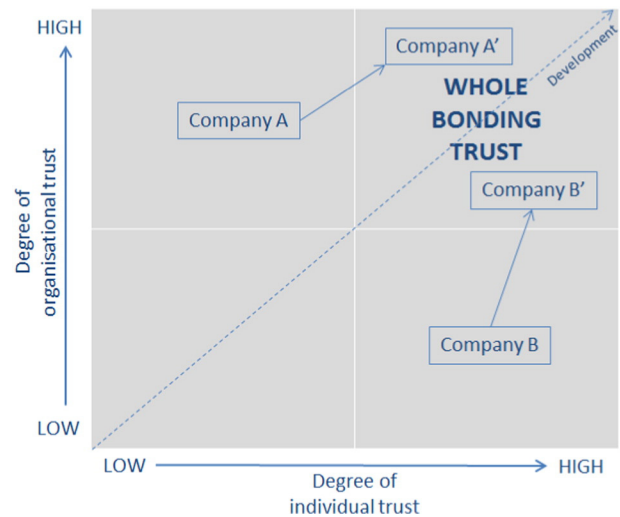


Fig. 4. Whole bonding trust building. Source: Authors' construction.

stage Company A enjoyed bonding trust but only at an organizational level. In the absence of personal relationships this was not enough to facilitate the establishment of a business relationship with Videoton. The turning point was the visit of a higher level company manager to Szekesfehervar which was the occasion for the manager of Company A and for the director of VT Automotive Electronics to appraise each other's credibility and benevolence. Bonding trust became established at personal level. As a result of this whole bonding trust, the emerging business relationship was transformed into an established relationship and Company A became the most important customer of Videoton. This relationship continues, although the original representative of the French company quit Company A several years ago.

In the case of Company A, bonding trust emerged at the organizational level and only later at the personal level.

The case of Company B is an example of another type of scenario which also illustrates how bonding trust grows. Here, the general manager of Company B firstly had a positive perception of credibility and benevolence concerning Videoton. It is important to note that this first personal-level bonding trust was based on a recommendation. Based on this individual bonding trust, the general manager of Company B connected the director of Videoton by phone and later sent him product samples. The two individuals met each other only some months later. Encouraged by the strengthening of personal level bonding trust, organizational level bonding trust grew rapidly. This whole bonding trust that emerged made possible the established business relationship which lasted six years (1996–2002).

What is important in this situation is that the original perceptions of organizational motivation and capability were based on the recommendation of a third agent; namely the recommendation of a Sony manager who had visited Videoton many times and who had an excellent personal relationship with Videoton's business development director. Previous to this, the companies had not enjoyed a working business relationship with each other.

The interesting point here is that, in the case of Company A organizational level trust later expanded to individual level trust, out of which whole bonding trust was created, while in the case of Company B individual-level trust was first to emerge and later spurred the creation of whole bonding trust. In order for whole bonding trust to develop, there must first be organizational or individual level trust. In any case, a low level of organizational and/or individual-level trust must be created before a higher level of trust in one category emerges and facilitates whole bonding trust.

Using the case of Videoton we have provided examples of two trust building scenarios which resulted in the same outcome, although the process of approach was quite different.



## 6. Discussion

How is a business relationship born? How do two potential partners with no prior experience of each other start to interact with the hope of creating business exchanges?

The Relationship Emerging Flow concept helps give an answer to these research questions. Based on a literature review and through the use of empirical illustrations our concept draws an analogy between the emergence of business relationships and the interpersonal relation building process. This *business relationship emerging flow* comprised different stages. From a starting situation it models the conditions necessary for the building of a relationship.

The starting situation is the first stage. It describes a time when two organizations do not yet know each other and, correspondingly, there is no interaction between them. The companies are merely co-existent in time and space.

The second stage describes what happens when a trigger issue draws one partner's attention to the existence of the other. This one-sided perception may be due to research, curiosity, or recognition of the similarity of another organization to one's own. It may occur at the personal level or at the organizational level. The essence of this stage is that the potential partner becomes attractive. Recognition may happen at the personal level (Huston & Lvinger, 1978) or at the organizational level in the form of attraction (Tóth et al., 2012; Tóth et al., 2015).

Trigger issues open the door to meetings with the other party. These meetings may be initiated directly or with the help of third person referrals (recommendations). First contact is a part of the interactive approaching process. Through different information and social exchange episodes (Håkansson, 1982) the approaching process leads to established new relationships. In this context a business relationship is considered established when a first contract has been signed and at least partly executed between supplier and buyer. At this stage all four types of exchange episodes (information, product, financial and social) of the Interaction Model (Håkansson, 1982) have occurred.

We may call the interactive process between two new partners which begins with a first interaction between them and ends with an established business relationship the '*approaching process*'. This approaching process is only partly covered by our Relationship Emerging Flow concept. Taking into consideration the starting situation, awareness and initiation, this concept describes what happens before the approaching process; it does not contain the whole relationship building process (for example, product exchange episodes, testing) but only the conditions for building a new relationship. This is the stage at which whole bonding trust can facilitate and even support the continuation of new relationship building.

During this approaching process, different trust-building scenarios are played out. At the personal level and also at the organizational level, dimensions of trust, credibility and benevolence develop and expand to create whole bonding trust. However, the process is not necessarily linear. It can begin with the development of benevolence followed by credibility, or vice-versa; or start at the personal level and expand to the organizational or the reverse. Trust may emerge in a parallel way or by being extended from dimensions to levels. The process would appear to be similar to a multi-loop trust building process but in the end partners arrive at a state of mutual perceived trust both at the personal and the organizational level. Bilateral learning and adaptation also characterizes this approaching process. For example, in the vehicle industry consider the time that is needed to locate, qualify, train, make investments, test, and develop a business relationship with another firm (Sako & Helper, 1998) before one can arrive at the point of signing a first supply contract.

In the case of an emerging (new) relationship, the starting point is that there has been no prior contact between potential partners, nor have they considered the other a potential partner. Neither uncertainty nor interdependence is present: the necessary preconditions of trust (Rousseau et al., 1998). Consequently, trust is not an issue (a 'no-trust'

situation: Andaleeb, 1992) at both the personal and the organizational levels. Then, caused and influenced by different trigger issues, an approaching process begins between the actors. This approaching process involves different types of interactions which create different types of trust-building scenarios. As a result of these scenarios whole bonding trust grows between partners. This whole bonding trust is the basis of the construction of a new business relationship. Later on, the whole bonding trust in this new business relationship may be transformed into experienced trust (Mayer et al., 1995).

The presented empirical examples illustrate several elements of the Relationship Emerging Flow conceptual framework. The network position of Company A (multinational, Tier 1 supplier in automotive industry) its goodwill made it attractive to Videoton.

These trigger issues galvanized Videoton's organizational bonding trust on Company A which drove it find the possibility to individual level trust building (Videoton CEOs invited Company A's manager). It was not yet a personal level trust (Videoton's managing director was against the invitation).

The social exchange episodes with the manager of Company A (the first personal meeting in Székesfehérvár and later the interpersonal exchanges) resulted in his individual bonding trust on Videoton (believe in that Videoton would make the necessary investments as director of automotive electronics said). At his company he became an initiator of the emerging relationship with Videoton. This initiator role was a trigger issue to the birth of the relationship which is still the most important one for Videoton.

The second illustration is an example of the birth of a relationship followed from the first stage of our conceptual framework. In this first stage the two actors, Videoton and Company B only co-exist in time (in the eighties) and space (in Europe) but they don't know each other. Personal reputation and prior relationship with Videoton business development director made the well-foundedness of the referral of Sony's manager. This individual level trigger issue motivated the European boss of Company B to contact Videoton's manager. His individual bonding trust motivated his initiation to begin interaction with Videoton.

The positive reaction of the business development manager of Videoton created a bonding trust at individual level. These two individual bonding trusts helped the creation of organizational level bonding trust which facilitated the birth of relationship between the two companies. This relationship lasted till Company B stopped its activity in Europe. Different trigger issues played catalytic role in the process when the potential relationship between the Company B and Videoton became a real one.

## 7. Conclusions

In this paper we have focused on the birth of a business relationship. Our main goal was to bridge, at least partly, the little-discussed gap in the literature which concerns how a business relationship is born.

To achieve our objective we firstly analyzed literature from different fields of research (IMP, relationship marketing, strategy, organizational theory) about business relationship development models and about a closely-related topic: trust building. Based on this analysis, by applying and integrating a group of relevant concepts and adding the concept of whole bonding trust we developed a Relationship Emerging Flow model to describe the process by which a new relationship is born. Using empirical data taken from a large Hungarian case study we illustrated the birth of two very different business relationships. These processes illustrate simultaneously some different scenarios for whole bonding trust building.

This research makes several contributions. The framework of Relationship Emerging Flow which describes the process of the birth of a new business relationship is a novelty. This framework takes into consideration the different concepts developed and applied in the business relationship development and the interaction approach literature.

The conceptual framework deals with both the individual and organizational levels and includes consideration of trigger issues and the existence of different trust-building scenarios in whole bonding trust.

In our Relationship Emerging Flow framework there are two other novelties: the concept of whole bonding trust, and trigger issues. Whole bonding trust comprises the positive and simultaneous perceptions of a potential partner's benevolence and credibility at the individual and organizational level. The emergence of whole bonding trust contributes to the relationship-building process. Trigger issues, which may occur at the individual or the organizational level, play a catalytic role at the early stage of the relationship emergence process.

From a managerial point of view, research into this topic may bear fruit. Knowledge of trigger issues could help sellers and buyers understand during the formation of a new relationship how to move it forward to the next stage. The differences between the organizational and individual level processes and their interfering characters are worth considering for managers. The Relationship Emerging Flow framework can help managers to take better consideration on the different stages of the birth of relationship. It also gives the possibility to tackle with uncertainty, risk and interdependence in the very early stage of the emergence of a new relationship.

Although the aim of the research described in this paper was to outline a model of the birth of relationship, due to the nature of our approach the authors acknowledge its significant limitations. Based on a literature review of the process of developing a business relationship, we focused on the moderating role of trust. However, the same process can be analyzed from the theoretical perspective of learning theories, or early adaptation. Naturally, the illustrations we present of Videoton cannot be too widely generalized: the characteristics of the automotive electronics industry, as well as contract manufacturing, impose limitations on the generalisability of our model.

Further research can be developed in at least two directions. An interesting question could be the investigation of the interplay between the individual and organizational level processes and the deeper study of the different whole bonding trust building scenarios. The quantitative test and validation of the Relationship Emerging Flow framework could be the other type of research to develop.

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