

# Barriers and Conflicts in Relationships of Small Firms – Insights from Central Europe

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**Abstract**—This paper contributes to our knowledge about buyer-seller relations by identifying barriers and conflict situations associated with maintaining and developing durable business relationships by small companies. The contribution of prior studies with regard to negative aspects of marketing relationships is presented in the first section. The international research results are discussed with regard to the existing conceptualizations and main research implications identified at the end.

**Keywords**—Relationship marketing, barriers, conflict, SME, international research.

## I. INTRODUCTION

RELATIONSHIP-based strategies are perceived as effective option used by small and medium size enterprises (SMEs) to compete on today's market [1], [2]. In comparison with big companies SMEs need to implement marketing actions with a minor cost [2]. They usually can not afford typical mass marketing campaigns (i.e. TV advertisements). Thus, keeping and enhancing relationships with customers and suppliers is suggested for SMEs as a way of overcoming their resource constraints [3], [4]. There is clear evidence that SMEs build relationship and network structures with various stakeholders [5], [6], [1]. Small firms implement business relationships to a higher degree than large firms, but the processes of developing relationships are less formalized and more personal in nature [7].

As [8, pp. 60-61] shows, one of the most important facets of business relationships refers to the relationship as a problem. Surprisingly, there is a strong tendency both in the literature and among some managers to regard relationships in some general way as a “good thing” and there is also a common belief that all companies should work towards ever “closer”, more “mutual” or trusting “partnerships”. Some general axioms of relationship-based business strategies have been accused of being overconceptualized and underdeveloped empirically [9], [10]. This paper contributes to business relationships theory by identifying barriers and conflict situations associated with maintaining and developing durable buyer-seller relationships by SMEs.

There is no consensus with regard to the universality of relationship-based strategies [11], [12]. The so-called

relationship marketing as a new marketing paradigm was developed and promoted by scholars from U.S. and Western Europe [13]. Company's relationships occur within an external environment, so exogenous factors may influence the effectiveness of relationship marketing [14]. Reference [15] argues that relationship-based marketing strategies based on Western norms of behaviour may fail when transplanted to a market which is sustained by a different set of cultural and economic conditions. This paper contributes to this suggestion by presenting results of international research conducted among SMEs located in Central and Eastern Europe (CEE). CEE countries are significantly different in terms of both culture [16] and the level of economic development in comparison with Western countries. So far there were not many studies devoted to relationship building practices by SMEs in these countries, so this paper contributes to our understanding of international suitability of relationship-based marketing strategies.

## II. BARRIERS AND CONFLICT IN DEVELOPING RELATIONSHIPS

As [17, p. 178] argue: all relationships will have a mixture of both: positive and negative dependencies containing cooperative, competitive and conflictual elements. If a lot of studies have been already carried out about potential benefits of inter-firm relationships for the selling firm (e.g. [18], [14]) and for the buying firm (e.g. [19]), it is also necessary to investigate potential dysfunctional elements of maintaining relationships with customers and suppliers. This paper contributes to the understanding of dysfunctional elements of business relationships by exploring conflict situations which take place within SMEs' relationships. Conflict usually is considered as a state of disagreement between two parties that should be avoided [20], however, some productive effects of conflict may be also discussed. According to [21], we perceive conflict in the conventional sense: it is unhealthy, and associated with dysfunctional behaviors, dissatisfaction, and poor performance of one or both sides of the relationship. In prior studies influences of some factors on the level of conflict within business relationships were identified ([18]; [21]). Among these factors the absence of trust and imbalanced power between cooperating parties were found to have significant meaning [20]. If we consider that relationships with some customers or suppliers are for SMEs many times embedded in network context of today's economy ([22], [17]), then many SMEs may be simply stuck in

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relationships which are difficult to manage and may even not be profitable in terms of profit-losses balance. One can expect a lot of SMEs' relationships which are constraint-based using the term introduced by [23]. Especially in transforming economies, like CEE countries, where some industries are still highly concentrated, SMEs may build some market relationships because they "have to" even if the quality of these relationships is low. Thus, there is a need for exploration of the factors which determine conflicts in relationships maintained by SMEs with their counterparts.

As [10, p. 30] suggest, a more nuanced understanding of marketing relationships is needed. Developing knowledge about not only stimulators, but also barriers of building buyer-seller relationships seems to be justified. The relationship barrier is defined here as a dyadic, one-sided or contextual phenomenon which restricts development of a buyer-seller relationship. This research object is rather neglected in marketing literature. The deterrents for business partners are usually discussed with reference to the movement between different stages of relationship development ([24], [8]). Corresponding to social exchange theory [24] argue that in contrast to relationship development, the dissolution of relationships is more easily initiated unilaterally. The same refers probably to relationship barriers because, even if one side is willing to make some effort for relationship, the opposite reaction of the other side may stop the development of trust and further necessary adjustments. Reference [8] suggest insufficient resources, changed requirements, attractive alternative offers as potential determinants of regress of business relationship. Even if the literature usually does not directly refer to relationship building barriers, relationship stimulators constructs suggested by scholars may be perceived as barriers if in a particular relationship there is lack or too low level of them. Taking that into consideration, the lack of: trust, satisfaction, interdependence, communication, relationship investments and seller's expertise decrease the probability of relationship development [14]. Moreover, there are some contextual factors which restrict relationship development. Among them the environmental uncertainty is the most frequently discussed one [25]. The highly structured, predictable environment (eg. stable oligopoly market) decreases the value of trust for cooperating parties. In such environment, there is no need to adapt and counterparts would prefer typical, arms length transactional approach rather than relational-based exchanges [14]. Reference [15] also suggests some limitations of applying relational-based approach. Some situations are relationship-resistant because there is no expectation of ongoing relationships. Some buyers and sellers will probably not engage in long-term relationships to avoid dependence on other party. Formalized buying processes (eg. ISO procedures) may prevent the company from maintaining stable relations with suppliers. Finally, spending money and time on developing business relationships may be treated as unprofitable in certain circumstances [15].

Summing up, the problems of developing buyer-seller relationships are important and rather neglected research object. Some literature propositions with regard to conflict and barriers of relationship development were briefly discussed in this paragraph. Most of them come from pure conceptual studies and were not verified empirically. Thus, there is a need for exploration of this research area. Next section is devoted to methods used in research referring to problems faced by SMEs in their relationships with buyers and suppliers.

### III. RESEARCH DESCRIPTION

Qualitative international research involved face-to-face interviews. The questionnaire was semi-structured in order to minimize the drawbacks of suggesting possible answers to some questions, which were treated as socially sensitive. For example, the answers to the question about the stakeholders with whom enterprise has already built relationships might be less reliable, if the list of possible stakeholders was provided. It is connected with the social desirability phenomenon [26].

In Poland, Czech Republic and Slovakia there were 60 enterprises researched. The non-random samples were designed to acquire variation with regard to the number of employed people and core profile of activity (ranging from services through trade to manufacturing). The authors have used methodology of division of enterprises with regard to the recommendation issued by European Commission (EC). According to EC, the enterprises are divided into micro enterprises (up to 10 employees), small enterprises (up to 50 employees) and medium enterprises (up to 250 employees). It was decided to involve only micro and small enterprises (MSEs). The authors followed the suggestions from prior studies about a negative connection between the size of the enterprise and the applicability of relationship-based business strategies. Thus, the various relationship building practices were expected especially in the smallest enterprises.

The project was coordinated by scholars from four academic institutions: Karol Adamiecki University of Economics in Katowice (Poland), Masaryk University in Brno and Technical University in Brno (The Czech Republic) and Matej Bel University in Banská Bystrica (Slovakia). The same interview scenario was agreed upon in English language for fieldwork in Poland and The Czech Republic. In the spring 2007, after translation, the scenario was used for gathering qualitative data. The respondents in MSEs were selected in accordance with the criterion of their influence on management of the company. As a result, about 60 percent of respondents in all countries declared to be general managers (including company's owners). In all countries more or less equal segments of all interviewed companies contained enterprises with the core businesses in production, services and trade. Using the same logic of sample selection in each country, more or less half of all enterprises employed not more than 10 people. Second half employed from 11 to 50 people.

The interviewers made initial notes about answers to particular questions trying to avoid the persuasion. After the fieldwork stage, a seminar for all team participants was organized (including coordinators and interviewers). During the seminar common categories for international comparison of the results were discussed and set. Then, all observations gathered in MSEs were assigned to these categories and some tendencies were counted and compared. These major tendencies are to be presented in the next paragraph.

#### IV. RESEARCH RESULTS

When asked about identification of entities with whom they built relationships, almost all respondents pointed spontaneously at their customers and more than 70 percent of them pointed also at the suppliers. It supports the suggestion from previous studies that small firms frequently create durable market relationships. There were not major differences in firms from different countries. If the relationships exist, it does not mean that companies do not face any problems connected with developing them. Indeed, during some interviews (about 30%) important barriers for relationship development were stressed. For Slovak and Czech respondents, the most important barrier refers to low communication quality. This factor was identified in some prior studies [14]. Only few respondents in Poland pointed at the same issue. For Polish small firms, financial difficulties related to customers have the crucial meaning (indicated in 30% of interviews). It refers to unpunctual payment which seems to be specific for some Polish customers. Taking into consideration relatively good economic atmosphere for Poland in the period of interviewing, this custom seems to be rather cultural-based than economic-based. It may be the sign of opportunistic behaviours (self interest seeking with guile) which corresponds with axioms of transaction cost analysis theory [27, p. 6]. The financial payment barriers were indicated by 20% of Slovak respondents and only 5% of Czech respondents. Some companies in all three countries also pointed at unpredictability of customer behaviours and at offering low quality products as relationship barriers. The first factor corresponds with a suggestion that "relationships have a future that is uncertain" [8, p. 59]. It seems that taking the relationship risk seems to be very difficult, if not feasible, for some SMEs' managers. The second factor (low quality products) was rather not stressed in the previous conceptualizations which may be specific for SMEs from this region of Europe. It seems that for some small companies, especially retailers, offering quality that can fully satisfy customers is still a challenge. Low quality issue was also frequently stressed during the interviews when respondents were asked about problems of developing suppliers' relationships. Two other barriers: competition pressure and insufficient necessary resources correspond with literature suggestions [8]. It should be noticed that Slovak and Polish small enterprises identified much more frequently problems with insufficient resources than Czech companies.

Except low quality of purchasing products three other important problems were identified during the discussion about relationship with suppliers. One of them,

communication problems was stressed before with regard to customer relationships. Two others were as follows: suppliers' unreliability and disinterest in relationships. These factors confirm the presence of opportunistic behaviours on the supply side of companies' relations. The research suggests that many suppliers established short-term sales approach (eg. no fulfilment of obligations, price changes forcing, delayed supplies). Suggestion from [15] that some buyers and sellers will probably avoid long-term relationships is also supported. It should be noticed that opportunistic behaviours of suppliers were the greatest problem for more than 70% of Slovak enterprises, more than 50% of Polish enterprises and only about 15% of Czech ones.

Most of the interviewed companies' representatives declared the presence of some conflict situations in the existing history of their buying and selling relations. Asked about experienced reasons for conflict, respondents referred mostly to the same issues which were discussed as relationship barriers: payment related problems, low quality of products or services, partner unreliability and communication problems. Once again payment related conflicts seem to have much greater meaning for Polish enterprises than for Czech ones. In case of Czech companies, more conflicts are based on ineffective interpersonal communication. The low quality of products, low satisfaction of customers and breaking contractual conditions (unreliability) were experienced as the source of conflict by many researched firms with no much differences in all three countries.

#### V. RESEARCH CONCLUSION AND LIMITATIONS

Research results contribute to the knowledge of buyer-seller relationships by exploring problems connected with the implementation of relationship-based strategies in the context of transforming post-central planning economies. On the one hand, most of small companies in Central Europe maintain some stable relations with customers and suppliers; on the other, they face some obstacles interacting with counterparts which may result in dysfunctional conflicts. The research results do not question the legitimacy of using relational approach in marketing by SMEs. The results suggest that relationship marketing is not always best strategic option if some counterparts may act opportunistically. Thus, the small companies should use various approaches with regard to particular suppliers and customers, to avoid being exploited and too dependent on others.

The results support some literature propositions concerning problems in business relationships' building and point at some neglected ideas (eg. low quality of products). Generally speaking, the results support the call to investigate the negative aspects of relationship marketing concept. As [8, p. 59] observe: "Many novels have been written about the problems in relationships between people. The same could be done for relationships between companies, because these are equally diverse". The research presented in this paper may just be the attempt to explore the above mentioned idea, however, contribution from many further studies is needed. Potential further researches may, for example, identify managerial reasoning standing behind opportunistic market behaviours

and methods of solving conflicts arisen in buyer-seller relationships. Briefly speaking, some explanatory studies seem to be a logic research continuation.

In accordance with prior conceptualizations, this research confirms that exogenous factors (especially culture) may influence the effectiveness of relationship marketing [14]. The international context of conducted research revealed some national differences. For example, the interpersonal communication problems were much more frequently stressed in Czech companies than in Polish ones. On the other hand, opportunistic behaviours as well as payment problems were much more frequently declared by Polish and Slovak enterprises. These results may be connected with some cultural differences among CEE countries. For example, some culture studies describe Czechs as much more investing in the future and delaying gratification than Poles [16]. It may explain their lower inclination for opportunistic behaviors on the market. However, cultural determinants of relationship marketing effectiveness demand further empirical support using probably quantitative research methods. Some relationship marketing axioms should be re-examined on the basis of projects combining data from various cultural contexts.

#### ACKNOWLEDGMENT

Author thanks professor Andrzej Bajdak for his support in conducting the study. The full report from this international research is to be edited by Bajdak A. and Lukášová R. and published by The Publishing House of Karol Adamiecki University of Economics (Poland) in the book under the title: "Relationship marketing in MSE's and local authorities – international comparison".

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