

“Exploring customer-supplier relationships in business-to-business through action research”

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ARTICLE INFO

Paul Sudnik and Julia Kiely (2010). Exploring customer-supplier relationships in business-to-business through action research. *Problems and Perspectives in Management*, 8(4)

RELEASED ON

Thursday, 23 September 2010

JOURNAL

"Problems and Perspectives in Management"

FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

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SECTION 2. Management in firms and organizations

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Exploring customer-supplier relationships in business-to-business through action research

Abstract

Set in the Greek subsidiary of a multi-national company whose products are capital goods and consumables sold through business-to-business channels, the empirical investigation addresses a noticeable fall in sales over recent years. Through the service-profit chain literature, five research questions were developed.

The contextual setting and focus of the questions on customer management lent themselves to a qualitative exploration based on action research. Repertory Grids were completed with key account managers. Interventions to address the noticeable fall in sales are taken and evaluated one year later through a repeat series of Repertory Grid interviews with key account managers.

The paper has some practical implications. Firstly, it outlines a transferable process, based around repertory grid techniques, for assessing a company's standing in the eyes of key account managers with a view to influencing that standing on a cyclical basis. Secondly, it illustrates the value and power of 'insider' action research when undertaken at managing director level.

The study reinforces the service profit chain and, by seeing a benchmarking process as an indicator of progress rather than as an absolute scale, contributes to a reconsideration of positivist approaches to the assessment of customer satisfaction and other elements of the SPC model.

The originality of this work consists in providing a rare example of action research in business-to-business service relationships where the key researcher and instigator of action and evaluation is the managing director himself.

Keywords: customer/supplier relationships, repertory grids, longitudinal intervention, 'insider-researcher'.

JEL Classifications: L14, L66, M16.

Introduction

The perspective from which this research is reported is that of the managing director, employed in a turn around situation, who chooses to become an 'insider-researcher' (Coghlan, 2001; 2003) in his own organization, using an action research approach to identify and resolve issues. The case illustrates the power and tensions of taking methodologically and theoretically grounded action and reflection to tackle critical business issues, resulting in important contributions to practice and small but significant insights on theory (Gustavsen, 2003; Tenkasi and Hay, 2004).

On taking over my new role as managing director of a group subsidiary company in a business-to-business capital goods environment, I found that the sales of goods had fallen noticeably in recent years, particularly so among the established customer base. At the same time, informal feedback from sales staff and from senior managers of customer organizations, indicated that many customers were less inclined to view my company in as good a light as previously, or to have the same level of confidence in it. My employer is a family owned company of Swedish origin that is the leader in the

field of paperboard packaging for liquid food. It enjoys a worldwide turnover of around 10 billion Swiss Francs and employs around 18,000 staff in over 150 markets. While the research seeks to resolve a pragmatic problem facing one company at a particular point in time, the conceptual framework in which the problem is located and process by which it is explored and resolved has wide applicability to companies facing similar issues and the process itself advances theoretical understanding of customer service.

1. Why bother satisfying the customer?

Explorations of customer satisfaction have taken various approaches. Early lines of enquiry focused on approaches drawn from cognitive psychology and modelling customer satisfaction based on the premise that customers compare a product's attributes against a set of reference attributes (Weiner, 1980; Latour and Peat, 1979; Folkes, 1988). The second line of attack concentrated on the issue of product or service quality as the key to achieving satisfied customers with the inference that satisfaction would flow from quality (Parasuraman et al. 1988). Perceived quality, in turn, was assumed to be a function of the difference between customer expectation and the actual performance of a service (Oliver, 1980; Gronroos, 1982; Churchill and Sur-

prenant, 1982). Running through the early conceptualisations are assumptions of quality and satisfaction as static concepts and early quality models are generally criticised for their simplicity (Clemons and Woodruff, 1992). Drawing subtly on cognitive psychology, the concept of value comes to the fore as a more enduring emotion and better predictor of satisfaction than pre-purchase expectation. Research in this area focuses variously on: product pricing policy (Leszynski and Marn, 1997; Sjoblom, 1997); verges into areas of strategic management including the relationship between customer satisfaction and shareholder value (Walters and Lancaster, 1999); or posits links between ways in which 'quality' and 'customer satisfaction' generates 'value' creating activities (Robinson, 1997). Adding value to the core product to enhance customer loyalty will be beneficial only if the value added is customer oriented (Ravald and Gronroos, 1996). Finally, proponents of the Nordic School and its later expression at that Harvard Business School emphasize the impact of increased customer loyalty on profit service chains (see Gronroos, 1982, 1991, 1994; Seines, 1998; Reichheld and Sasser, 1990).

The above sequence integrates a series of concepts that begin with service quality and move to customer satisfaction before bringing in customer loyalty, via some notion of external value, and finally linking all these with the ultimate goal of business – profit. Drawn from this foundation, the 'Service-Profit Chain' (SPC) (Heskett et al., 1994) emerges making clear links between the quality of service, employee satisfaction, customer loyalty and finally profitability. Activities both inside and outside the firm are viewed as essential parts of the chain. A well managed internal environment is seen as providing the seeds for employee satisfaction which in turn impacts on loyalty, productivity and finally, external service value to customers. The model assumes that as a result of receiving better service from suppliers, the customer will be better satisfied. The inherent implication is that by designing services to meet the specific needs of targeted customers, it is possible to influence customer satisfaction positively. This argument is grounded in the value creation literature as well as that of service quality. As one moves along the service profit chain, improved satisfaction is thought to result in stronger loyalty on the part of the customer to the supplier, the consequence of which is improved rewards to the supplier through more business and improvements in sales revenues. It is assumed the supplier is sufficiently competent to transform this incremental business growth into incremental profit growth. The SPC was perceived initially as a linear model, which may be tackled incrementally, with an underlying assumption

that if all links were addressed appropriately, the model becomes a self fulfilling prophecy. Later researchers have questioned the implied linearity and raised the importance of temporal dimensions for links (Bates et al., 2003; Zeithami, 2000). Various assessment tools such as Key Performance Indicators for internal and external service can be designed to measure a firm's progress along the chain. McMullan and Gilmore (2003) have developed measures of customer loyalty development and other links such as employee retention and productivity. Revenue growth and profitability may be measured by standard statistical and accounting methods. This leaves the assessment of employee satisfaction and customer satisfaction as the two final links in the SPC.

The question that this research seeks to answer is why sales had fallen in recent years among the established customer base in a business-to-business environment. The SPC provides a convincing general integrated framework against which to explore this question but most early and contemporary work on customer satisfaction is orientated towards the provision of services to consumers. My interest as a manager in a company selling both capital goods and consumables in a business-to-business environment is whether the theoretical groundwork of the SPC is applicable to my present situation. Wilson (2000) takes significant steps in building a theoretical case against the current practice of seeing the existence of a dichotomy between consumer and organizational buying behavior. He suggests that substantive progress in resolving the discussion lays in empirical research. From my professional perspective, the work of Wilson is an invitation to treat. He lays a theoretical basis for working with models developed in consumer-oriented environments in business-to-business ones. When taken with Reichheld's (1996) willingness to expand the use of SPC out of a purely service milieu, it seems to justify further consideration of the SPC in my specific work situation.

1.1. Customer relationship management. Various aspects of SPC framework have been routinely measured in my organization for some time. These included: key performance indicators for service; employee retention and productivity statistics; growth and profitability statistics. The part of the SPC framework about which least was known and which seemed to be at the crux of the issue in the current case revolved around Customer Satisfaction aspects. It was to this area that the research endeavours were concentrated. 'Customer Relationship Management' (CRM) describes activity at the customer interface that seeks to create customer satisfaction and by implication, customer loyalty, in the expectation of increased sales and profitability.

Three elements appear to influence the nature of business-to-business interactions in the context of relationship building with customers. Firstly, the time scale over which commercial interaction occurs appears to be a critical determinant of the perception of the nature of the business-to-business relationship (Spekman, 1988; Anderson and Narus 1990; Dadholkar et al., 1994). Longer time perspectives allow participants to view business-to-business interactions as relationship-based with two-way communication rather than contract-based. Indeed, if the framework of Sturdy et al. (2001) is employed, my company's business-to-business standing would be conceptualized as sharing characteristics of a 'skilled artisan' service in calling for special skills tailed to customers needs in a niche market. Business-to-business relationships are long lasting and constructed over time. Secondly, in supply chains the extent of mutual dependence and sharing of common goals help understanding of how to structure and maintain relationships (Varadarajan and Cunningham, 1995). Finally, the balance of power between parties including shifts in power in supply chains (Frazier and Antia, 1995) has an impact. Underlying these three aspects is the socially constructed concept of trust, formed in the current situation by the existing customer base over time. Whether or not the apparent loss of confidence by customers in the company was the antithesis of trust was highly questionable.

In a business-to-business environment, those who carry out commercial dealings are responsible for maintaining and nurturing the connection between two companies. The state of the relationship, while to some extent a product of the past, is susceptible to influence by actions in the present. Thus I, together with members of my organization and a small number of people in the customer organizations, determine the state of our corporate relations in the future. I sought to infer the causes of the current unsatisfactory state of affairs of falling sales through exploring four questions, drawing on concepts within CRM:

1. Who are our important customers, with which customers do we have a relationship, with whom do we want to have a relationship?
2. What is it that the customers consider valuable in our business-to-business relationship?
3. What is the standing of my company with those customers selected to participate in the research?
4. What must I do to improve the poor situation that I perceived at the outset of this research?

2. Methodology

In a seminal paper, Tranfield and Starkey (1998) argue for the distinctiveness of management research, with a

defining characteristic being its applied nature. Drawing on the work of Gibbons et al. regarding Mode 2 knowledge-production systems (1994), they argue for a constant flow between fundamental and applied, theoretical and practical where results fuel further advances. Hammersley (2004) convincingly argues that despite action research claims, practice and theory will always be less than isomorphic with severe tensions between the two. His arguments resonate with me – but tensions can be managed. Mode 2 knowledge-production, with its integration of academics, practitioners and policy makers judging the quality of output from different perspectives caused me to question my ontological and epistemological perspectives in the context of the issues under investigation. Simply by rejecting the word 'knowledge' as a noun, I find myself irreconcilably separated from positivism and crossing into what Schon (1995) calls the 'swampy lowlands' where problems are 'messy and confusing and incapable of technical solution' (p. 28). In taking up Schon's implied challenge and by daring to ask what Guba and Lincoln (1994) call the 'ontological question' of 'what it is they are about' (p. 108), I started to make clear what I considered fell inside and outside the limits of my legitimate enquiry and 'real' nature of the phenomenon being studied. As part of my reflection, my personal interface between senior manager/practitioner and that of academic/researcher resurfaced constantly. I was struck by the radically different nature of the two worlds I now inhabit and the requirements of which I had to balance and to some extent integrate. Hammersley (2004) questions whether or not action research is a contradiction in terms, combining activities with 'different immediate goals, simultaneous pursuit of which will generate incompatible orientations' Rynes et al. (2001, p. 175) are more encouraging of the generating and disseminating of knowledge across academic and practice boundaries. Grounding professional practice research in academy and generating new connections for the benefit of practice and academy simultaneously creates tensions. Certainly, issues of role duality and questioning a process in which I was a key stakeholder (Coghlan, 2003) surfaced. Perriton (2001) highlights potential tensions in reflexivity and personal disclosure in 'insider' management research. As managing director, I was in both a vulnerable and powerful position. I had the power and influence to seek senior customers' views together with awareness that I carry ultimate responsibility. If, having unearthed issues to be resolved, I failed to rectify them, my situation would be fragile and I could have done more harm than good.

The methodological choices available to me for knowledge creation were necessarily constrained by the chosen response and position taken on the issues of ontology and epistemology. The clear outcome I

sought was an improvement in ‘customer satisfaction’ and explanation for the perceived loss of confidence in the company. Since this issue is intimately entwined with my work situation it was inevitable that my participation in the collection of data and continued observation of the environment would be central to the research as I sought to bring about improvements. My stance was to attempt to gain an understanding of how customers’ attitudes were constructed, acknowledging that I was part of the process and intrinsically involved. To keep within my paradigmatic imperative on methodology, the choice of research methods pointed towards a vast possible array of data collection and analysis processes. If I have a problem with a customer issue, my instinct as a manager is to go and find out what the problem is and not to carry out an arm’s length survey. The gravity of the inquiry and limited understanding of what might be behind the loss of confidence suggested customer interviews. My need was not only to understand but to bring about change in the company. While the methodology of action research is a broad church, its essential characteristics of being problem centred and attempting to change the situation being studied by intervention and working with others, was in harmony with my ontological and epistemological stance.

2.1. Sampling decisions. Decisions on research method must take cognisance of the research question and its methodological framing. As an ‘insider-researcher’ (Coghlan, 2001; 2003) I perceived the apparent loss of confidence in my company to be broadly spread throughout the overall customer bases. However, relatively few customers account for a substantial proportion of total invoicing. Six customers out of 29 account for 70% of total revenue. These seem to be large companies who are both business and opinion leaders in the industry. I believed it would be beneficial to concentrate on these few customers and by working with them, to understand the reasons for their loss of confidence in my company. In addition to the objective criterion of volume of business, a more qualitative estimate of perceived potential for future business with each customer was sought through discussions with my managers. Three of the remaining 23 customers were identified as having the potential to increase their contribution to sales considerably. The 9 companies were re-evaluated against further criteria such as innovation, to reduce the list to 5. As well as being the customer group with whom I and my managers see the greatest long-term opportunities, these 5 customers represented 55.5% of turnover and hence, ones which commentators on the SPC suggest aiming to improve. The first of the research questions – Who are our important customers, with which customers do we have a relationship, with whom do we want to have

a relationship – were perceived as relatively straightforward to answer. These discussions were the first steps in establishing a collaborative and self-reflective community of inquiry in the manner highlighted by Reason (1999) as a fundamental condition of transformation through action research.

2.2. Establishing what customers think – a method. The corporate relationships I wished to explore seemed to be made up of several relationships between individuals. The Repertory Grid Technique (Kelly 1963; Peters, 1994; Easterby-Smith et al., 1996) with its focus on individuals construct maps – the words and concepts people chose to use to identify how they see the world around them – was an appropriate technique for exploring these specific research issues and one that was in harmony with my epistemological stance. A practical difficulty in construct development for my research was how to obtain information from the customers regarding their perception of our business contact without appearing to be ‘pushy’ or damaging a currently precarious situation. Being able to record the progress of grid interviews via computer software offered the advantage of building up construct maps over time and involving their constructors in their interpretation. Hence, I chose to use a repertory grid software package.

As a first step, I explored via a repertory grid my own ideas and values as a practitioner with 14 years experience in the industry so as to arrive at an exhaustive list of factors that may be of significance to my company and participant customers. I choose to do this rather than try to develop an inclusive list from my customers largely for time reasons. I followed this with a discussion with managing directors of companies selected to participate in the research to help achieve a convergence and understanding of those constructs important to the bilateral business contacts between my company and customers. My desire was to produce a fully replicable process to measure a company’s standing. Moving from the individual level of analysis to that of a group of managers nominated by the managing director of the customer organizations, benchmark sets of interviews were carried out with repeat interviews to evaluate the impact of interventions and changes. Key managers from participating organizations were asked to rate my company against others active in the industry in terms of the mutually agreed constructs. The repertory grid sessions were designed to illuminate the second two research questions: What is it that the customers consider valuable in our business-to-business relationship? What is the standing of my company with those customers selected to participate in the research?

2.3. Emerging constructs from the research. In regular meetings with managing directors of participating companies, each was kept fully informed of the research and prepared for participation. Each of the formal research meetings was scheduled for half a day, focusing on *'What is important for you in the way you work with my company'*. 65 constructs generated initially from my personal repertory were considered in terms of primary, secondary and tertiary constructs and rated for importance, together with others generated through the repertory grid process. Following detailed consideration of each respondents ratings and a three step reduction process, the 65 constructs were reduced to a manageable, agreed list of 17. The process of reduction was complex and full details are provided elsewhere (Sudnik, 2003). Primary constructs were ones that had been scored high by all interviewees and the ones entered first into the software package, Enquire Within. Each of the secondary constructs was derived from the primary constructs. Reflections on constructs led me to see them as being of two distinct types. The first type could be characterized as being made up of those constructs that describe management process-like activities (e.g., Secondary Construct 9 – Complaint Handling). The remaining constructs seemed to be either the outcomes of management processes (e.g., Tertiary Construct 60 – On Time Delivery) or to constitute duplication of constructs in the first group (e.g., Tertiary Construct 41 – Customer Involved in Innovation versus Secondary Construct 14 – Rate of Innovation). This reduction procedure gave rise to 17 items in the first group of 'management process-like' constructs each of which is seen as highly important by all five employees to the well being of the cooperation between our companies. Importantly, all of them were, I believed, within my power as a practitioner to manager. I then reviewed the remaining constructs and, satisfied that they were either process outcomes or duplicate issues, rejected them for use in the research.

At a second set of interviews, each respondent company was asked to consider the five international competitors in the field in which my company is active, together with a sixth dummy category referred to as 'Your best Supplier' and to rate them against 17 constructs. Through the managing directors, who in all cases participated themselves, further key representatives of management were invited to contribute giving a total 13 second interviews. Eliciting the willing help of managing directors in customer companies to brief new respondents, underscored the importance of the business relationships between my company and theirs. Crucial to the process was making clear that this was the beginning of a long term undertaking to try and improve dealings between our companies and that

other customers of my company were also involved. Each interview lasted around 2 hours and provided rich sources of qualitative data. One company chose to withdraw prior to the second interviews.

Repertory Grids provide a detailed articulation of how each respondent viewed relationships and associations. Individual grids provided insight into how key managers view my company in relation to others. Interestingly, the 5 managing directors were, on the whole, more favorably disposed to my company in terms of grid rankings and clustering than their managers. It is possible that the managing directors ranked my company more highly than their managers due to personal relationships developed between us over time. A more likely explanation is that they are the opinion leaders who influence choice of business supplier and hence, will be more favorably disposed partly to reaffirm their business decisions. The lower rankings and perceptions of their managers are of concern. Managers identified for participation were ones with whom we work closely on a regular operations basis. Customer dissatisfaction at this level is of major concern and likely to ultimately influence others regard of us.

Comparisons of responses across grids showed considerable similarities between perceptions of my company and that of the main competitors. Both industry competitors seem to be vying for association with the 'best supplier' concept among the customer base, although both of us are some way behind that ideal. The qualitative comments captured during the grid interviews provided further insights. Taping interviews at managing director level in Greece is not culturally acceptable so detailed hand written notes were taken. Moving from actual words and sentences, the analyses focused on themes and sentiments behind the words and intensity of feelings. A simple proportion calculation of positive and negative comments showed up whether particular constructs described a potential cause of trouble between my company and its customers, or indeed if it addressed an area where things were going well between us. Table 1 shows the 17 constructs and total number of sentiments about each construct followed by the number of positive and negative sentiments and proportion of positive and negative sentiments from the total. The Response Intensity (RI) calculation was designed to show strength of feeling about comments. It was calculated by dividing the number of positive (or negative) 'sentiments' under each construct by the number of respondents whose responses had elicited this number of sentiments. For example, the first construct – rate of innovation had elicited 4 positive comments from 4 different respondents, giving a R1 of 1.00. The same construct elicited 27 nega-

tive sentiments from 9 different people, giving it a RI of 3.0. The actual number of respondents commenting positively or negatively on each aspect is not shown but can be calculated as described. An assumption was made that the greater the number of sentiments expressed or the higher the RI, the hotter the issue. In brackets, alongside the RI for each sentiment, the percentage of positive or negative sentiments is given.

Table 1. Constructs evaluated by respondents (N = 13)

Construct	Total No. of sentiments	No. of positive sentiments	Response Intensity of +s	No. of negative sentiments	Response intensity of -s
Rate of innovation	31	4 (13%)	1.0	27	3.0 (87%)
Customer service	20	10 (50%)	1.0	10	1.25 (50%)
Support for marketing	18	9 (50%)	1.13	9	1.29 (50%)
Effectiveness of order processing	17	8 (47%)	1.0	9	1.29 (53%)
Knowledge of business	15	10 (67%)	1.11	5	0.83 (33%)
Complaint handling	15	8 (53%)	1.0	7	1.40 (47%)
Strategic alignment	15	3 (20%)	1.0	12	1.33 (80%)
Product quality	15	3 (20%)	1.0	12	1.09 (80%)
Value for money service	15	3 (20%)	1.0	12	1.50 (80%)
Operational efficiency	14	5 (36%)	1.0	9	1.13 (64%)
Breadth of product range	14	1 (7%)	1.0	13	1.86 (93%)
Lead times	14	2 (14%)	1.0	12	1.09 (86%)
Quality of technical service	10	7 (70%)	1.0	3	1.50 (30%)
Order accuracy	5	3 (60%)	1.0	2	1.0 (40%)
Invoicing accuracy	5	5 (100%)	1.0	0	0.0 (0%)
System profitability	3	3 (100%)	1.0	0	0.0 (0%)
Efficient order handling	2	0 (0%)	0	2	1.0 (100%)
Total	228	84		144	

By far the highest number of sentiments was elicited by conversation about the Rate of Innovation (31). Of

these 87% were negative 'sentiments' and the RI of 3.00 compared to the next highest RI of Breadth of Product Range (RI = 1.86) with 93% negative sentiments and sends a clear message. These two areas are of prime concern to respondents and, at the time of the interviews, my company was not delivering what the customers expected. Strategic Alignment (Negative RI = 1.33), Product Quality (Negative RI = 1.09), Value for Money Services (Negative RI = 1.50), and Lead Times (Negative RI = 1.09) all registered an 80% or higher proportion of negative sentiment. I would interpret this as meaning that each is a topic of serious concern among respondents. It should also be noted that Efficient Order Handling had 100% negative comments but based on only two expressions from two respondents. While an area for action, this did not seem to require as urgent attention as the aforementioned areas.

Table 1 is greatly concerning. Some comfort could be drawn from the 67% of positive sentiments expressed regarding the company's knowledge of the customers business (Positive RI = 1.11) and the weight of positive sentiments expressed on Quality of Technical Service, Order Accuracy, Invoicing Accuracy and System Profitability. However, none of these had a RI of more than 1.00 suggesting that although we do well in these areas, constructs other than these are important to customers. The respondents' interview comments by participating customer were also examined but will not be reported here.

The overall analysis of the Repertory Grid had created the impression that my company and its main competitor are vying in the market place for association with the 'best supplier' concept in the minds of the respondents. However, the analysis of comments made during the grid interviews portrays a different picture. A search showed our main competitor mentioned by 10 of the 13 respondents and that they were all positive towards our competitor. The competitor was seen as strong on Rate of Innovation (RI=3.0) and on Breadth of Product Range (RI = 1.5) with 18 of the 30 sentiments being indexed here, all of which were positive. Support for Marketing also seemed to be perceived by at least 2 respondents as better dealt with by our competitor whilst 5 respondents see the competitor's Operational Efficiency as being better.

Typical comments about each of the 17 constructs evaluated in Repertory Grid interviews are shown in Table 2.

Table 2. Illustrative positive and negative sentiments regarding constructs

Construct	Example of positive sentiment	Example of negative sentiment
Rate of innovation	You have helped us improve our image by launching new/modern packaging	Your packages are outdated
Customer service	Locally we now have excellent service and support	When you could not meet our needs it was due to global procedures
Support for marketing	There is close cooperation on marketing and you offer useful information	You should increase interaction with our marketing dept.; supplier 5 is much better in this
Efficiency of order processing	You have a continuous improvement process to support the pre-order activities	The ordering process must be simplified
Knowledge of business	You are a source of knowledge for (co. name)	You should be more proactive
Complaint handling	You were day and night here until we solved the problem	Your company must still improve the speed of response to complaints & claims
Strategic alignment	There is a trend of strategic alignment between our companies	You should have a single person of communicating between your company and name.
Product quality	Your product quality is excellent	You should improve the packaging quality, especially the caps which is a long lasting problem
Value for money services	System wide value for money is excellent – no problem there	Your products and services are overvalued
Operational efficiency	Operational efficiency is excellent, the best you can have, the IBM of paper packaging	From Operational Efficiency point of view the best supplier is supplier 5
Breadth of product range	Your product range is excellent	You urgently need to expand the range of your products
Lead times	You are reliable concerning the lead times	Although you stay within the lead times promised, these lead times could be reduced
Quality of technical services	Since 22 years the technical support is excellent	(Co. name) can have a greater stock of spare parts in their warehouse
Order accuracy	Generally, order delivery accuracy is good	With you it is difficult to track an order
Invoicing accuracy	Invoicing procedures are excellent	
System profitability	Generally, you are expensive but you try to improve our perception by special actions	
Efficient order handling		We should improve the contact with the production companies that actually print the paper

The detailed analyses of repertory grids and qualitative comments show insights into perceptions from which reasons for the apparent deterioration in perception of my company can be inferred. It seems that the current situation is the product of a festering of issue over the long term rather than the result of a small number of cataclysmic events and goes some way to underlie the durable nature of industrial relationships (Storbacka, 1994; Muffatto and Panizzolo, 1995). At the individual respondent level, I was left with the feeling that my company was seen as being closely associated with our main competitor and hence, we were correctly perceived as direct competitors. However, with some influential respondents there was a tendency to associate my main competitor more closely than my company with the 'best supplier' concept, although we were both somewhat of the ideal. The analysis of comments reveals why, for my company, this may be so. We were not fulfilling the expectations of our customers in terms of the Rate of Innovation or Breadth of Product Range where as main competitor was. Of the remaining 15 constructs, Strategic Alignment, Value for Money and Product Quality attracted substantial overall negative perception whilst our Customer Service was very poorly perceived.

Such a disappointing perception reaches across the whole gamut of customer satisfaction models that were

eventually integrated into the SPC model. It is a warning signal not to ignore those models that are part of the historical development of customer satisfaction. The 'Disconfirmation of Expectations Theory', early quality models and the work carried out on the role of value perception in customer satisfaction all have something practical to offer at the lowest level of analysis. The encouraging information emerging from the analysis related to Knowledge of Business and Support for Marketing. This could be due to the hands on contingency view of relationships the company had adopted over the years. These two constructs suggested themselves as the platforms for future work with customers, which should differentiate my company from its main competitors in the minds of customers. While there was a strong and direct challenge to my company in the areas of Rate of Innovation and Breadth of Product Range, it appeared that customers had not yet established strong relationships with our main competitor. In so far as the customer satisfaction idea involves designing services and products 'to meet targeted customers' needs' as suggested in the SPC model, working with these two constructs carefully as the research progressed seemed the way forward. If we had strength in Knowledge of the Business and in Support of Marketing, then it was with this expertise that we should address both the direct challenge and

the opportunity that our competitors failure to achieve Strategic Alignment with the customer presented. At the same time my company need to improve the management of transitional constructs firstly in order not to loose further ground and secondly to redress the balance of customer perceptions. These observations formed the basis for a programme of action and intervention.

Full details of the actions and interventions embarked on over the following 18 months are available including the implementation of Key Account Managers working with customers (Sudnik, 2003). Here the outcomes are only briefly discussed. The second round of Repertory Grid Analyses after the actions and interventions had been taken showed my company had improved its standing and was seen as being in a similar category as the participants' 'best supplier' and that we were also seen in a different light to our main competitors. Sentiments made by respondents during the interviews were similarly analyzed. Table 3 shows the analysis of positive and negative sentiments from all respondents (N = 17) against the 17 constructs first considered one year previously.

Table 3. Round 2 evaluation of constructs after 12 months intervention (N = 16)

Construct	Total No. of sentiments	No. of positive sentiments	Response Intensity of + views	No. of negative sentiments	Response intensity of - views
Rate of innovation	18	11 (61%)	1.0	7	1.0 (39%)
Customer service	23	13 (57%)	1.08	10	2.00 (43%)
Support for marketing	16	13 (81%)	1.18	3	1.00 (19%)
Effectiveness of order processing	21	12 (57%)	1.71	9	1.50 (43%)
Knowledge of business	19	15 (89%)	1.13	2	2.0 (11%)
Complaint handling	15	11 (73%)	1.10	4	1.00 (27%)
Strategic alignment	19	14 (74%)	1.17	5	1.25 (26%)
Product quality	14	10 (71%)	1.0	4	1.00 (29%)
Value for money service	13	9 (69%)	1.0	4	1.33 (31%)
Operational efficiency	16	9 (56%)	1.13	7	1.40 (44%)
Breadth of product range	10	7 (70%)	1.0	3	1.00 (30%)
Lead times	16	9 (56%)	1.13	7	1.17 (44%)
Quality of technical service	14	11 (79%)	1.10	3	1.00 (21%)
Order accuracy	9	6 (67%)	1.0	3	1.0 (33%)

Table 3 (cont.). Round 2 evaluation of constructs after 12 months intervention (N = 16)

Construct	Total No. of sentiments	No. of positive sentiments	Response Intensity of + views	No. of negative sentiments	Response intensity of - views
Invoicing accuracy	10	6 (60%)	1.0	4	1.0 (40%)
System profitability	16	15 (94%)	1.07	1	1.0 (6%)
Efficient order handling	3	2 (67%)	1.0	1	1.0 (33%)
Total	228	175		77	

The first striking difference in the data from the two rounds is that in the later grid interviews no single construct stands out from the others in terms of number of sentiments attracted. Noteworthy improvements in the proportion of positive responses for constructs between the two rounds are: Breadth of Product Range (7% to 70%); Strategic Alignment (20% to 74%); Product Quality (20% to 71%); Rate of Innovation (13% to 61%); Lead Times (14% to 56%). Important improvement, but from a more reasonable level in the benchmarking round, can be noted for: Support for Marketing (50% to 81%); Knowledge of Business (67% to 89%) and Complaint Handling (53% to 73%). The RI calculation on the negative sentiments decreased on 7 constructs between rounds but worryingly the strength of negative sentiments regarding Customer Service becomes stronger. Clearly, 5 participants are very unhappy about this aspect of our performance which is of major concern.

The final round of interventions focused largely on the key account teams in the successful implementation of action plans. Capturing a longitudinal, detailed cyclical action, intervention and evaluation process in a short journal article is challenging. Rather than focusing on the specifics of the final intervention, attention will turn to significance of the reported research for theory and practice.

Conclusion. Spanning practice-theory divides

The study presents a rare piece of pragmatic research on Customer Relationship Management in a business-to-business context with theoretical implications. It has contributed to the reinforcement of the SPC model as integrating theory within the business-to-business field, which is not its usual context. Importantly, it outlines a transferable process, based on the paradigm of action research, for the assessment of a company's standing with its customers in a business-to-business environment and for planning appropriate interventions with a view to influencing that standing on a cyclical basis. Embracing and translating action research from a

senior management 'insider-researcher' stance is exhilarating and demanding and in my view, the most effective way of resolving pragmatic issues. Tackling research issues from inside Schon's swampy lowlands, and ensuring the issues are theoretically and conceptually grounded and with the same level of rigour as that traditionally attributed to academics is invigorating. As a consequence, I feel that I have contributed to a demonstration of the validity of management research. The claim for reinforcing the SPC model as an integrating theory emanates from the way I have come to see the SPC in the context of other models pertaining to customer management. By avoiding a specific attempt to 'measure' customer satisfaction, and by seeing the benchmarking process as an indicator of progress rather than as an absolute scale, the study contributes to a reconsideration of positivist approaches to the assessment of customer satisfaction and other elements of the SPC model. Indeed, if the ultimate purpose of following the precepts of SPC is to maximize profits, then an absolute score in any of its elements is meaningless. It is the process that the model represents that is important.

This research has focused on the evaluation and application of just one link in the Service-Profit chain – customer management. However, it has successfully demonstrated how the SPC integrates internal and external quality and value based activities into an overall view of continuous performance improvement that may or may not be hierarchical and predictive in nature. During this research, the complexity of managing process-oriented organizations has been brought home to me. Action inquiry, upon which this research study rests, is to some extent a personal development tool. Certainly, the rewards this undertaking has brought me can be found in my daily work, where I feel that not only has the standing of my company with its customers changed for the better, but a 'closeness' has been forged between colleagues. My position as managing director has been strengthened as a result of persisting with participative research. But it is not only the external and internal perspectives of my job that have changed. I too, have changed, perhaps becoming more thoughtful and analytical and questioning about the way in which I go about managing in a commercial environment.

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