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THE MANAGEMENT OF CONFLICT IN BUYER-SELLER RELATIONSHIPS: A CASE STUDY OF AN AUSTRALIAN EXPORTER IN ASIAN AND US MARKETS

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ABSTRACT

This paper will extend the conflict management stream by examining the complexity of conflict in buyer-seller relationships, comparing Western and Asian markets and their "contextual boundaries". Specifically, a model is developed linking different dimensions of cross-cultural business relationships to different dissolution and communication strategies for managing conflict. Multiple in-depth interviews in a single case study provide support for the theoretical development of a model of five key factors important in the selection of appropriate conflict management styles by the focal firm when managing buyer relationships in psychically distant markets.

INTRODUCTION

This study will examine the conflict and dissolution strategies of inter-organizational buyer-seller relationships. Prior to the discussion of more detailed objectives, the background to the study will be presented. This background will examine the complexity of buyer-seller relationships for firms dealing with different cultures and the impact this may have on managing conflict and tension in business relationships, and for the dissolution of relationships.

A number of past (historical factors) and present (current sales and future prospects in the particular market) dimensions were identified as critical in assessing the importance of business relationships to a firm. First, the history of the relationship with the foreign buyer needs to be known. Second, the business culture operating in the foreign buyer's market needs to be understood. Third, the importance of the buyer relationship to the organization needs to be evaluated. Fourth, the dynamics (competition) of the market environment operating in the foreign buyer's market needs to be assessed and finally, the future options for the firm need to be fully evaluated.

One posits that each of these dimensions provides temporal and contextual environment for the selection of appropriate conflict management styles by firms in foreign buyer-seller relationships. This is conceptualized as the "contextual boundary" of the firm (Figure 1). It is suggested that firms should consider each of these five dimensions when selecting conflict management styles in order to achieve a culturally sensitive match between the foreign buyer and seller. Findings suggest that choosing culturally sensitive conflict management styles will maintain existing network relationships and provide the focal firm with the ability to achieve an end to specific business relationships without the harmful and negative consequences of retribution and hostile competition. Alajoutsijarvi and Tahtinen (2000) refer to this positive style of ending business relationships, which enables indirect network connections following the termination as a "beautiful exit".

The paper is presented in four stages. First, relationship development, management and dissolution are discussed, indicating the importance of communication strategies in this process. Second, an introduction to communication strategies available to the firm to manage buyer-seller interaction is presented (Table 1), which focuses on combining Hirschman's (1975) *"exit"* and *"voice strategy"* with Baxter's (1985) and Alajoutsijarvi and Tahtinen's (2000) research on a typology of dissolution *"communication strategies"*. Table 1 will be discussed later in the paper. Third, an empirical investigation is conducted, using a case study method. Two buyer-seller relationships undergoing conflict and tension, and the communication strategies used by both actors in the relationship, are presented. Interviews with the managing director and export operations manager, in particular, revealed that culture does play a large part in the managerial approach to business relationships. Thus, the cultural (code of norms and beliefs) and legal (rules on foreign ownership, tariffs and duties) environments do place formidable barriers to foreign market entry (FME) and to the effective management of buyer-seller relationships that are long-term. Fourth, confirmation of the types of communication strategies used is provided, with evidence received from the detailed case study.

By understanding the importance of each market and region to the overall operations of the firm, as well as the cultural norms operating in the two regions, an analysis of the conflict situation and strategies for revocable or irrevocable exit strategies can be made. Discussion of the managerial implications and directions for further research concludes this study.

Figure 1

THE NATURE OF BUSINESS RELATIONSHIPS AND LIFECYCLES

> Present day competitiveness has brought about a marked evolution in supply management, imposing on firms an increasingly close interaction with suppliers. The achievement of high-level performance in terms of cost, quality, flexibility and time to market appears ever more dependent on the quality and effectiveness of the supply network (p. 25)… The ability of suppliers to support a firm's needs and its committed objectives are highly dependent on the relationship that exists between both buyer organization and seller organization (Jantan et al., 2000).

The view of long-term relationships with customers and other stakeholder groups has been underdeveloped in mainstream marketing management literature (Christopher et al., 1993; Dwyer et al., 1987; Ford, 1990; Gronroos, 1994; Gummesson, 1997; Hakansson, 1982; Morgan & Hunt, 1994; Parvatiyar & Sheth, 1994). Despite the increasing knowledge of inter-organizational buyer-seller relationships, little is known about how they are terminated, as the emphasis has tended to be on understanding their creation (Hakansson & Snehota, 1995). The important aspect is that effective relationship management is concerned with the management of both *growing* and *declining* relationships.

> The dissolution of some relationships can even be beneficial and desirable. Optimal resource allocation presumes the conclusion of relationships that do not provide sufficient return for the company. The resources freed from unsatisfactory relationships can then be used in creating new ones with a higher profit potential (Alajoutsijarvi et al., 2000).

The interactions between actors in networks, and their selection of resources, requires management of relationships as a dynamic process from their initial inception, throughout the relationship and in the event of decline and dismantling.

> Careful study of the Japanese's success in industrial competitiveness revealed at least some portion of that success can be attributed to the form of supplier choice and relationship (Jantan et al., 2000).

The process of building, nurturing, maintaining and sometimes having to end relationships suggests that the actors need to be able to "cope with relationships". Hakansson and Snehota (1994) suggested that,

> Coping with relationships, exploiting them economically, requires an awareness of their effects and insight to the interdependence that accounts for their dynamics.

However, every relationship has costs not just benefits.

> Costs and benefits of engaging in a relationship are related to the consequences that a relationship has on the innovativeness, productivity and competence that stem from the impact it has on the activity structure, the set of resources that can be accessed, also for the perceived goal structure of the actor (Hakansson & Snehota, 1994).

The company will be able to develop by exploiting the potential that is offered by the dyadic function of the relationship. Its success will depend largely on its ability to perceive and handle the connectedness in the relationships in which it is directly involved over time. In addition, a businesses relationship has different effects on the two companies actually involved in the relationship. The potential effects might be positive or negative and may also be a source of tension and conflict, especially when the goals of the two companies differ greatly and are imposed on the interaction (Hakansson & Snehota, 1994).

TENSION AND CONFLICT IN RELATIONSHIPS: IMPLICATIONS

One view of the determinants of a company's performance is the relationship perspective (Hakansson & Snehota, 1994; Prescot, 1990). In particular three areas are of relevance: First, in many companies relationships tend to have an overwhelming impact on their economic performance and in that situation, the management of those relationships is important (Freeman, 2001). Second, ultimately it is not possible for companies to unilaterally control and decide the development of their various relationships. However, each company is connected to numerous buyer-seller relationships and the larger network (market) which both affects the outcomes of their immediate relationships (buyer-seller) as well as their future business relationships (potential). Thus, there is the need to be aware of these interdepen-dencies if they are to manage relationships successfully (Freeman, 2000; 2001).

> …determining sourcing strategies provides a major challenge to most firms. A related question that arises in this context is which sourcing strategy should be pursued by firms, which will result in better suppliers' quality, delivery, and cost which in turn will be translated into added profit for firms. These linkages of the relationships have not been well explored and understood (Jantan et al., p. 24).

Finally, the length of the relationship and past conduct will impact on both present and future development of relationships. The need for awareness of interdependence of the company and its counterparts will be critical to the outcome of joint action. This requires an additional insight, that is, awareness of the dynamics of business networks, if the company is to manage relationships effectively (Hakansson & Snehota, 1994).

The focus here is on maneuvering to find the best position for the company in the business network and awareness of how this position might affect key economic outcomes over time. The position of the company relative to others (its relationships) is determined by its capacity to provide value to others through, for example, productiveness, innovativeness and competence (Hakansson & Snehota, 1994). However, a limitation of this type of assessment is that no company is ever likely to be able to assess all the possible effects of the interdependencies in a specific situation even if the nature of the factors is identified (Hakansson & Snehota, 1994).

Dissolution of Relationships

Alajoutsijarvi and Tahtinen (2000), in an empirical case-study, identified communication strategies in inter-organizational buyer-seller relationships undergoing dissolution. Four company case studies were used in this analysis based in Finland. While the research is relatively scant, the case studies focus on a very important area of business relationships and also draw on social psychology studies on personal relationships in the development of their typology. In particular the study suggested that the management of a disengager company requires an understanding of the types of strategies that can be applied in dissolution, in order to avoid negative consequences affecting both partners and the network. It is also necessary to understand how to maintain an important relationship with the company, by recognizing signals of a potential dissolution, so that actions can be taken to save the relationship. The advantage of proper management of the dissolution of a relationship is that, where it is a joint decision, additional break-up costs and even emotional disturbance can possibly be avoided (Alajoutsijarvi & Tahtinen, 2000).

Tahtinen and Halinen-Kaila (1997) developed a model to assist in the understanding of the dissolution process of relationships, and suggested that the process may be stopped or stalled if the actors are able to use "voice strategy" (communicating their intention). If the desire is not to continue the business relationship then the disengager can terminate it using an "exit strategy" (directly communicating the end of a contract or indirectly by not renewing an existing relationship). They suggest that termination of a business relationship can affect all actors directly connected (e.g. buyer-seller) as well as future actors in both companies and other companies that are related to them within the overall network. They highlight the multiple stages that characterize the dissolution of relationships, identifying intrapersonal, intracompany, dyadic, aftermath and network stages.

In summary, the focal company (disengager) either negotiates with its partner in order to restore the relationship (voice strategy) or terminates the relationship (exit strategy). Tahtinen and Halinen-Kaila (1997) refer to this stage of the dissolution process as the dyadic stage where the disengager has communicated their intention to dissolve the relationship. Prior to this stage, the potential disengager can remain in doubt about the dissolution and keep those plans silent. Once those termination plans are communicated to the other partner, there is a movement along the dissolution process to the dyadic stage (Tahtinen & Halinen-Kaila, 1997; Alajoutsijarvi & Tahtinen, 2000). The way both parties handle this dyadic stage of the relationship dissolution process will determine the overall cost and on-going cost to both companies (e.g. reputation; cessation of new product development; termination of technology exchange; end of buyer-seller relationships). For example, if a promise of an improvement to the relationship is acquired from the partner in response to the *"voice strategy"* the relationship will possibly be restored. If not the dissolution process will proceed to termination. Tahtinen and Halinen-Kaila (1997) and Alajoutsijarvi et al. (2000) argue that the "dyadic stage" is a critical turning point in the overall dissolution process, as the future of the relationship is determined at this point.

COMMUNICATION STRATEGIES AND RELATIONSHIP DISSOLUTION

Alajoutsijarvi and Tahtinen (2000) suggest that at the commencement of the dyadic stage the company has to decide how to communicate to their partner its desire to exit the business relationship, and that this can be done *directly* or *indirectly*. They refer to this process as the *dissolution communication strategy*.

Weick (1995) refers to the active or passive behaviour of the other partner and suggests that, as in all forms of human and organizational communication, a core issue is how that message is interpreted by the partner. If the relationship is dissolved because the restoration process is not successful, then various exit strategies can be used by the partner. Hirschman (1975) suggest that a very direct approach is when

> Some customers stop buying the firm's products…: this is the exit option.

However, Hakansson and Snehota (1995) also refer to business relationships that are very complicated, interconnected with activity links and resource ties and with multiple actors from both companies. In this situation an exit strategy such as Hirschman (1975) has suggested may not be an option (e.g. monopsony, where the other partner is the only purchaser in the domestic network). Baxter (1985) has identified additional types of exit strategies that the disengager may use which focus on two dimensions, the level of *"directness"* and *"other-orientation"*. For example, the disengager does not explicitly state its desire to exit the relationship to the other partner, but uses another means. The orientation might be one of total desire not to hurt the other party, (other-orientation). At the other end of the spectrum the disengager exercises expediency for itself at the cost of the other partner possibly using no *"voice strategy"*, only exit strategy (self-orientation).

Dimensions of the Dissolution Process

The summary of dissolution communication strategies is displayed in Table 1. Four different exit strategies (terminating a relationship) are depicted, two are *"indirect strategies"* (disguised and silent exit) and two are *"direct strategies"* (communicated and revocable exit), as well as *"voice strategy"* (which may be used to communicate a need for change in the relationship in either direction) discussed earlier. The style used to communicate the exit intention, varying from directness through to other or self-orientation, will be influenced by the reasons for the dissolution and other factors that characterized the relationship, e.g. interconnected-ness or strength of bonds that have been built up over time. Indirect communication allows the initiator or disengager to save the partner's face (Baxter, 1985) using silent exit strategies such as hints.

Alternatively, the *"pseudo-de-escalation"* strategy means that the disengager expresses a desire to "change" the relationship to one that is more favourable but not to exit from this relationship at this point in time. For example, the disengager may wish to reduce their investment in the relationship, yet still keep it alive, but possibly dissolve it in the future. *"Cost escalation"* is where the more self-oriented disengager can try to raise the other partner's relational costs, (by actions such as increasing the cost of products, or making payment terms more restrictive), to the point where the partner starts to dissolve the relationship.

TABLE 1
DISSOLUTION (EXIT AND VOICE) COMMUNICATION STRATEGIES

		Other-oriented	Self-oriented
Indirect	Disguised exit Silent exit	Pseudo-de-escalation Fading away	Cost escalation Signally withdrawal
Direct	Communicated exit	Negotiated farewell	Fait accompli Attributional conflict
	Revocable exit	Mutual state-of-the-relationship talk	Diverging state-of-the-relationship talk
	Voice	Changing the relationship	Changing the partner

Adapted from Hirschman (1975), Baxter (1985) and Alajoutsijarvi et al. (2000).

For the customer who is a disengager, demands for extra service or tighter delivery schedules, are examples. Whereas in *"signaling"*, the disengager might use the public media or other actors in the network to communicate the exit decision (Ping & Dwyer, 1992). A *"silent"* exit strategy, is one where no intentional communication of the exit is undertaken, just an understanding that the relationship has ended (fading away). This may occur when one or both partners decide not to discuss the dissolution in order to save the partner's face or to avoid any hurt. An example here would be the end of a project, but with no further discussion on future projects. This change of behaviour or withdrawal would communicate the exit in an indirect manner. Finally, changes in openness, frequency of communication or even reduced investment initiatives are signals of decreasing interest in relationships (Tahtinen & Halinen-Kaila, 1997).

Alternatively, a *"direct"* communication removes doubt and is explicit, allowing no opportunity for discussion *(fait accompli).* This strategy does not allow the partner to change their behaviour to allow the continuation of the relationship. In addition, if discussion does take place it is likely to lead to disagreements about the causes of the dissolution and fault (attributional conflict). By contrast, a *"negotiated farewell"*, allows discussion without hostility, allowing each party to see the inevitable end and even the benefits of the relationship dissolving. As an example of a *"mediating strategy"*, a *"revocable exit"* (would be prepared to negotiate a continuation) is close to the *"voice strategy"* (communicating a desire to change the existing relationship but not necessarily and end). While the disengager explicitly states its intention to dissolve the relationship, it is willing to discuss the reasons and problems related to the dissolution of the business relationship (mutual state-of-the-relationship talk). This could lead to the repair of the business relationship.

The *"revocable exit"* is an example of the *"other-orientation"*, as the disengager is not only willing to discuss the matter but also to look at it from the perspective of the other partner. This could be viewed as a *"state-of-the-relationship talk"* but with the added threat of exit. By contrast, in the *"diverging state-of-the-relationship talk"*, the partner's views are so distant that the continuation of the relationship is not possible without change from both partners and mutual reduction in *"self-orientation"* (self or personal objectives) (Tahtinen & Halinen-Kaila, 1997).

Alajoutsijarvi and Tahtinen's (2000) study is also important as it demonstrates that the use of multiple exit strategies is common and that the companies in their study used more than one strategy simultaneously or even at different levels, for example the person or actor or alternatively the organization. There was also evidence of companies moving from one strategy to another as a result of their counterpart's actions. Often, there were numerous individuals involved in a business relationship from both partners, and the individuals might all be using different disengagement strategies. Ford et al. (1986) in their case study also suggest that these interpersonal inconsistencies seem to be one of many forces driving relationships and dissolution processes.

Managing the Dissolution Process

Alajoutsijarvi and Tahtinen (2000) study falls short of providing evidence, as to which specific exit strategy will provide a firm with the *"most beautiful exit"* (most positive style of ending business relationships, which enables indirect network connections following the termination), should this become necessary. However, based on their conceptual discussion and case analyses a set of partner, dyad and network related circumstances which increase the importance of managing the dissolution beautifully were found. The study does highlight important implications from a management perception. They very clearly demonstrate that what is at stake when a business relationship dissolves, or is under threat, will vary for each partner due to the context and interactions between the partners. The time element (temporal) is important as relationships that were once important to a firm as it enters a market and develops a presence and reputation may not be as important as time goes on and other connections are made in that international net. These contextual elements are all essential for the firm to consider when managing their exit from a relationship.

For this reason whether or not the relationship is still important to the firm, the future may require that firm re-establish an ex-business relationship or form connections with other firms that are associated with this past business relationship. Thus, management of *"beautiful exits"* could only assist present and future connections within the immediate net and associated net in the present and the future. For these reasons it is important for the firm to manage dissolution of business relationships *"beautifully"* (Alajoutsijarvi & Tahtinen, 2000).

Alajoutsijarvi et al.'s (2000) study also makes it clear that use of *"pure exit strategies"* is not necessary. Companies can switch between *"direct"* and *"indirect"* communication strategies as well as *"self"* and *"other-orientations"* that are mixed forms of the strategies. This flexible approach will allow companies to adapt, react and initiate *"repair strategies"* in circumstances where *"revocable"* exit strategies are in place. However, where *"irrevocable exit strategies"* are in place, there must be a conscious strategy by the partners to move to a *"beautiful exit"* with minimal damage to both companies to enable future business relationships to be re-opened and to minimize negative impressions that may develop in the network. These impressions will have important repercussions in future dealings across markets.

In this study, data was collected from a single firm to demonstrate exit strategies that a firm might use when dealing with important buyer-seller relationships in foreign markets, where cultural practices in the business environment vary considerably. The case study focused on an Australian exporter in the citrus fruit industry, and on their main buyer relationships in two of their most important foreign markets, the US and Singapore. All names of the companies and individuals concerned have been changed to protect their identity.

CASE STUDY – MIDLAND FRUIT (MF): INDUSTRY STRUCTURE

Against a background of turbulence and change, Midland Fruit (MF) has handled constant interactions with growers and primarily foreign buyers, as nearly 80 percent of sales are in foreign markets. The management of interactions is critical to the business operation.

> Closely connected to purchasing is sourcing or supplier selection. Firms must view both elements as strategically important and as to source of enhancing its competitive advantage. Many firms have come to recognize the crucial role sourcing activities plays in determining the overall corporate performance. Of equal or greater importance is the fact that sourcing decisions seriously impact delivery reliability, product quality and cost, thus making sourcing a key determinant of a firm's potential for added value (Jantan et al., 2000).

MF is continually managing the expectations of growers, the quarantine requirements and quality specifications of foreign buyers, and the complexities of inspections and export handling processes. The decision has to be made at some point, as to which foreign buyers are worth continuing with and which are not. This issue brings into focus the importance for the profit side of the business of managing business relationships well. However, it also brings into focus the criteria for deciding which relationships with foreign buyers are worth continuing with and which are not.

Case Study – Midland Fruit (MF): Company Background

Midland Fruit (MF) is the trading name of the MF Trust, the corporate Trustee of MFT Pty. Ltd. MF is a fully owned subsidiary of Midland Fruit Cooperative Pty.Ltd. MF merged with South Garden (SG) in 1997, which provided expertise and experience for MF in the citrus market for export development. MF employs approximately 35 full-time managerial staff and 100 semi-permanent staff (for 10 months of the year) in their packing division. During 2000 MF packed 1.8 million cases, and 80 percent were exported. SG had been exporting citrus fruit since 1988. MF began citrus fruit exporting after the merger took place with SG in 1997. The current managing director of MF was the managing director of SG prior to the merger. He has experience across the wine and citrus industries with rich "person-centered networks" (Hallen, 1992) with all levels of the industry and government in Australia and overseas. His person-centered network links are extensive, embracing buyers and packaging companies in all their main markets. He uses these connections continually for foreign market entry and for improving the selection of buyers that they have in existing as well as potential markets. They derive 80 percent of their sales from their overseas markets and the most important markets, based on sales, are the US, New Zealand, Singapore, HK and Malaysia. There is a heavy commitment to their overseas buyers as the domestic market is saturated and highly competitive.

The parent company is a co-operative, the Midland Fruit Co-operative (MF Coop). MF Co-op has a 100-year history in the district of North Victoria and first established itself in the district as a dried fruit packer in sultanas and raisins. Now, their core business is citrus sorting, packing and exporting, which was started about 60 years ago. Until recently, MF was also associated with merchandising stores for citrus growers. Development of the table grape exporting market is now taking place too. This side of the business has been growing for a number of associated and complex reasons.

Citrus packaging and exporting brings MF into intensive contact with its growers (all domestic) for approximately 5 months of the year, with many visits by the marketing manager, growers' service manager and quality control manager over this period. Most of their growers produce grapes as well as citrus fruit. The decision was made about 18 months ago to offer purely exporting and marketing arrangements for citrus fruits and grapes to their existing growers. MF only packs grapes for their existing citrus growers (sellers). It also provides marketing and exporting of grapes to existing clients or buyers in overseas markets. This is not a profitable business for MF but it does offer a reason to be in contact with their growers in the **Mildura-Sunraysia** region for up to 10 months of the year.

> By integrating suppliers into operational requirements of a firm, an efficient and reliable flow of both materials and information from the suppliers to the firm will be achieved. In addition, it also strengthens a firm's ability to grow and respond to increasing competitive demands of the market place. This will enhance the firm's competitiveness and profitability in the long run (Jantan et al., 2000).

Otherwise, contact with existing citrus growers would remain at only 5 months of the year. While the citrus grower relationships are intensive, 7 months without frequent contact is undesirable for managing long-term, committed buyer-seller relationships. All growers are located within the **Mildura-Sunraysia** region (domestic).

Nature of the Industry and Grower Relationships

This is a crucial element to the success of MF. They are the largest citrus fruit exporting operation in Australia and are regarded by most growers as the best to work with, as MF works very hard at building strong connection and bonds with its growers. This results in a strong connection with the growers and the best growers selling their fruit to MF. This is critical to the operations for MF, as they do not personally own any citrus fruit. (All their suppliers are domestic growers in the region, which extends to South Australia, Victoria and New South Wales). Growers are increasingly responsive to spot prices offered by other packaging and export *"sheds"* in Australia. Thus, growers will *"switch"* easily to another *"shed"* if the price they can obtain for their fruits is higher than MF is able to offer. To prevent this type of instability in the industry, MF has initiated the first grower contracts with their best and most preferred growers. This represents about 160 of their growers, which is approximately half of their growers.

This ensures that their preferred growers have reasonably secure incomes of agreed levels of supply and in turn MF can insist on quality control and quarantine regulations being carried out in the growing process by these preferred 160 growers. This is necessary for the most lucrative markets, NZ and US. These two markets take grade one citrus fruit, being the navel variety. The US market is their most important market based on sales and fruit prices. The selection of growers to MF is very important. They need to maintain a relationship with the best growers in order to secure the best quality of fruit for the premium export markets.

> As suppliers are strategically important and critical for firms' success, it requires the firm to source the needed material, parts and components more proactively from the best suppliers. Many factors must be considered when selecting and awarding the business to suppliers. Thus, the lowest possible price must be weighted against such issues as the importance of supply availability, a product's complexity from technological aspect, quality and the potential for increase in delivery value (Jantan et al., 2000).

All citrus fruit exports to the US are controlled by the **Silversun project**, an Australia initiative involving all exporters of citrus fruit to the US. **Silversun** coordinates the export of 1.6 million cartons of citrus fruit, annually, from Australia to the US. Approximately 20 percent of the **Silversun project** export market is supplied by MF and the US market contributes over a third of MF's total annual sales. In 2000, MF exported 315,000 cartons to the US. Class one fruit, attracting the highest prices is exported to both the US and NZ markets, by MF, with complex quarantine requirements, which act as a barrier to entry to other exporters to these lucrative, high quality markets.

Class two variety of citrus fruit is also exported to other markets, free of quarantine requirements. However, markets that require only certificates of inspection and are free of quarantine requirements for fruit flies and snails, are not rigorous to comply with. These markets do not attract the same price for the citrus fruit and they will take the fruit that MF cannot sell to the higher paying markets of the US and NZ. These other export markets include Singapore, HK and Malaysia. The implications for MF are significant. They need to maintain excellent relationships with their preferred growers to ensure their commitment to and flexibility in producing the highest quality of fruit. Hence, the decision by MF earlier this year to negotiate buyer-seller contracts with their preferred 160 growers in the region to form a close and more secure relationship.

> Suppliers must be reliable and flexible to respond to the ever-demanding customer expectation for high quality products at reasonable price (Jantan et al., 2000).

Excellent contacts for export sales exist in these South East Asian markets but the culture demands constant visits and the managing director, marketing manager and export operations manager all report the need to really work hard at relationships in this region. The cultural differences make these markets difficult to deal with but for reasons different from those that apply in the US, NZ and Japanese markets.

Japan has the added burden of having not only very high quarantine requirements and quality specifications but also the difficulty of managing culturally different and complex relationships. This difference requires the additional cost of frequent visits and exchanges via the phone and email. The managing director has daily conversations with all foreign customers when shipments are in progress. Contact is made even more frequently by the export operations manager and the marketing manager.

The marketing manager and export operations manager were involved in four visits to all Asian customers in 2000, both large and small. The managing director was involved in twice that number. That did not include the similar number of visits that their customers made to the MF shed in Mildura during the year. The level of visits for the US and NZ markets is only slightly less. This level of contact with foreign customers is expected for effective management of existing business relationships and MF is considered to be an industry leader in Australia for managing the quality of its overseas buyer relationships.

Buyer Relationships

In managing buyer-relationships, especially when complaints occur, which is frequent, the company takes into account the overall importance of the market and the importance of the particular buyer. The US and NZ markets are the most important for MF in terms of sales. The US market represents 20 percent of all sales and nearly 75 to 80 percent of MF's annual sales are to foreign markets. The domestic market is no longer lucrative for MF. In the last 10 years, over-supply, intense local competition with other packing and export sheds, and the price sensitiveness of growers, has meant that MF will only sell to the Australian market what it cannot sell overseas. The main focus for MF is to secure the highest price possible for their growers. All growers are domestic and they are very price-sensitive. To differentiate their offer, MF has tried to build strong links with its growers using educational meetings on crop handing, requirements of the foreign markets in quality, size and colour of citrus fruit and now, grower contracts. This appears to be working as MF does have an excellent and secure supply of high quality fruit.

Japan is also considered a very difficult market because of the complex quarantine specifications but it is not as important to MF because of the lower volume of sales that is conducted in that market. The markets of secondary importance on volume are Singapore, Hong Kong and Malaysia. Hong Kong is especially important as 80 percent of the sales to Hong Kong are sent straight into China by the Hong Kong operation. Entry into the Chinese market is still closed, so this market is very important as it allows MF to export a large and consistent volume and, in addition, to off-load the class two fruit that is not acceptable to the more lucrative US and NZ markets.

Moreover, the multiple buyer (international) markets offer MF the ability to market table grapes to their foreign buyers without too much effort. The main problem with this market (table grapes) however, is the tougher quarantine requirement for grapes in the US and NZ markets than for citrus fruits. For this reason, grapes are exported only to the South East Asian market, where quarantine requirements are not as stringent, i.e. Singapore, Hong Kong and Malaysia.

METHODOLOGY

Data Collection

Multiple in-depth interviews with the CEO, Marketing Manager, Export Operations Manager, Growers' Services Manager and Export Documentation Manager provided a holistic understanding of the process of managing effective buyer-seller relationships and for developing strategies for handling business conflict. Twelve in-depth interviews were conducted with management at the company site during March 2001, and each interview was approximately 2 hours. The types of strategies that were used by the Export Operations Manager in particular gave insight into the tactics and approaches that are used for managing effective business relationships that are long lasting. The nature of disputes, which constantly arise in MF's business operations, requires constant monitoring. Their multiple foreign buyer relationships must be effectively handled long term as MF is dependent on its foreign markets. MF is also dependent on the overseas markets for the higher prices it can attract for its independent growers. Without maintaining effective business relationships with its foreign buyers, MF would not be able to attract loyal and long-term growers who are dependent on the higher foreign prices for their fruit. Without the higher prices the temptation of growers to *"switch"* to another *"shed"*, to sell their fruit in Australia, would be very high. However, tactics used by MF in the US and NZ markets when dealing with conflict are different from those applied in the Asian markets.

The strategies used for dealing with business relationships that were in conflict varied from direct to indirect methods. However, the type of strategies employed and the desirability of saving business relationships varied. It became apparent from interviews conducted across the company and especially with the Export Operations Manager, that the importance of buyer-relationships to their firm should not be separated from their environment.

To provide empirical evidence of the complexity of managing foreign buyer relationships in a turbulent price sensitive market, with uncertain supply, two of the most important buyers were selected for analysis. The two buyers had had long relationships with MF, both having lasted for about 6 years. A number of incidents had lead to tension and conflict with both buyers, and these will be analyzed in this paper. The two buyers were selected on the basis of their importance to the firm, the market and the region. The two buyer relationships also represented regional differences, and were located in two of the most important markets. The first buyer relationship was with firm A in Singapore and the second was firm B in the US.

DISCUSSIONS

Firm A – Kingsome: Singaporean Buyer Relationship

The relationship with the Singaporean buyer had existed for approximately 6 years. Singapore was the second foreign market in the SEA region that MF entered. It was entered around 1989. MF's first foreign market was Japan in 1988. Singapore was and still is an important market is terms of sales and the most important market, following the US. Kingsome, a wholesaler, was managed by Phillip. The managing director met him at an Australian trade fair in 1989. Phillip acted as a wholesaler in Singapore, supplying customers first in Singapore and then later in Malaysia to MF, all based on his personal contacts. Originally he bought Valencia oranges and then in 1991 began buying grade two navel oranges. By 1995, the business relationship was causing problems for the managing director of MF, as he had wanted to use Phillip's contacts to enter the more lucrative market of Hong Kong. However, nothing came out of it. Finally, in 1995, the managing director used his own contact in Malaysia to enter the Hong Kong market for navel oranges. In addition, over the 6 years of the business relationship, the structure in the industry was changing in Singapore. Customers in Singapore were increasingly wanting to deal directly with MF and not through Kingsome. This was difficult for Phillip to manage and he was anxious to maintain a wholesaling arrangement with MF and Singaporean customers to provide his profit of 50 cents on each carton. However, over the six years this business relationship began to have less importance for MF. They were now dealing directly with their three main customers in Singapore and then later all their main customers in Malaysia. This was putting continual pressure on the business relationship with Phillip and MF were indirectly communicating their lack of interest (fading away strategy) in continuing their relationship with him. As far as MF were concerned the business relationship with Kingsome now offered no value and was obsolete. However, because of the old association, MF was prepared to acknowledge that a business relationship still existed (disguised exit strategy).

Against this complex backdrop, Phillip became increasing frustrated but his behaviour (voice strategy) indicated a desire to continue the business relationship (changing the relationship strategy). His noise *"communication strategy"* was not being responded to by MF. In the last two years, MF perceived that Phillip had become increasingly difficult to manage. The history had always been difficult. Phillip had always complained of the quality of the delivery of navel oranges from MF. It was standard for Phillip, even in the first year of the business relationship to complain that the quality was not consistent and that about 10 percent of the fruit was spoiled. It was customary for MF to offer a 10 to 15 percent discount on each delivery, to rectify the situation. This way Phillip managed to extract lower prices from MF and, in the early days of the relationship, MF was prepared to tolerate this as Phillip was the connection for Singapore, Malaysia and the promise of Hong Kong.

The MF export operations manager, Don, was the primary person dealing with Phillip, when a complaint came through on a large shipment of navel oranges in June 2000. At this stage, Ron had only been with the company just under a year. He had 13 years experience with the Australian Quarantine Inspection Service (AQIS), several years experience with the Department of Agriculture, several years experience with the citrus industry as an export marketing manager and had excellent person-centered networks (Hallen, 1992) locally and internationally in all levels of the industry. By nature he was a calm and even-tempered man in his mid 40's, not given to any outbursts or panic and was well used to dealing with Asian buyers.

He had been dealing with Phillip since joining the company 18 months ago and relations were good but Don had only visited Phillip twice as part of the overseas visits and not as a result of previous complaints. Don was aware that Phillip was finding it difficult to manage his role as a distributor for MF and Don's personal view was that Phillip no longer served a role that was useful for MF (changing the relationship strategy). It was in this context that the complaint came though in June 2000 concerning a particularly big shipment. Phillip rang on the afternoon that it arrived to say that 80 percent of the delivery was spoiled with black dots all over the fruit. Don was frustrated with this complaint as he had personally inspected and signed off the fruit 24 hours earlier and knew the complaint was false. Phillip was refusing to pay for 80 percent of the consignment and Don demanded an inspection certificate from the Singaporean import inspectors before he would accept Phillip’s claim. This had not been asked for in the past. This was a direct confrontation. Phillip was adamant that he would not pay and that the inspection would only prove him right. He was demanding that Don either paid for the return of the citrus fruit or accepted a lower price of 20 percent of the original consignment. Phillip refused to move from this position.

That afternoon Don flew to Singapore without informing Phillip. The next morning he arrived before Phillip at the warehouse of Kingsome, just in time for the

Singaporean Import Inspection. Merely 2 to 3 percent of the consignment from MF was affected and not fit for sale due to black spots on the fruit. The loss of face experienced by Phillip was overwhelming. The visit by Don (communicated exit strategy) as a result of Phillip's complaint had not been expected. It was an admission by Don that he felt Phillip was being deceitful. At that stage, Don had flown across to protect the reputation of MF. In his mind the business relationship with Kingsome had been *"fading"* and he had terminated the relationship over the phone with Phillip the afternoon of the complaint. Phillip's unreasonable complaint, from Don's perspective, had resulted in an *"irrevocable exit strategy"* choice from the business relationship with MF. A visit by Don to Phillip during the Singaporean Import Inspection was a *"direct exit strategy"*, signaling that the relationship was over. Don became the disengager and left Phillip no option to revoke the exit strategy. Phillip, subsequently, never placed another order with MF.

A year later, no customers were lost in the Singaporean market as MF had been dealing directly with the buyers for three years. No buyers were terminated in the Malaysian market. Don had deliberately used a style of confrontation that was direct, by refusing to accept Phillip's word of the impaired quality of the shipment. The *"irrevocable exit"* strategy was put in place when Don simply leapt on a flight and met the import inspector at Kingsome without informing Phillip of his journey. It left no opportunity for Phillip to save face, an important element in all previous dealings with him and essential for dealings in the Asian market.

Don had adopted this approach as a result of a series of interactions that were signaling to both parties that the business relationship was moving towards exit. Phillip's behaviour had been designed to signal a need to change the relationship but not to end the relationship. His complaint and the expected discount from MF was intended to confirm that the relationship between Kingsome and MF was still an important one for MF and that Phillip could still achieve discounts on shipments (cost escalation) from MF. Phillip was experiencing slowly decreasing profits in the home market and Don was aware of this and also aware that, as MF was now dealing directly with their buyers, Phillip served no useful role.

For this reason Don felt that the business relationship needed to be terminated and exited from the perspective (self-oriented strategy) of MF. This was not what Phillip intended but probably what he feared. By testing the water or strength of their existing relationship he had probably hoped that the usual situation would occur, namely that his complaint would be believed and that he would achieve a discount because MF valued his role. *"Direct exit"* and *"irrevocable exit"* strategies were used to save the reputation of MF. However, MF adopted a self-oriented strategy, an unusual approach for dealing in an Asian market, but they perceived that the business relationship was already heading for exit and this last complaint was a symptom of that fading relationship. Don's considerable experience in handling citrus fruit in export markets, knowledge of inspection requirements, contacts in the industry and quiet confidence in his ability to deal with buyer complaints in the South East Asian market enabled him to protect the reputation of MF. For this reason Don felt comfortable using *"direct"* and *"self-orientated exit"* strategies, which left Phillip no face or ground for a *"revocable exit strategy"*. MF used a quick, direct, *"self-oriented exit strategy"*, designed to offer no option for revocation. Phillip's complaints had been designed to signal major dissatisfaction and a desire for a change in the relationship. It was not an exit strategy. However, MF could now afford to exist without Kingsome, and took on the role of disengager in the final complaint from Phillip. The cost now outweighed the benefits of the business relationship to MF.

Firm B: US Buyer Relationships

World Fruit Sales (WFS), Florida, USA are MF's main buyer in their main foreign market. This relationship has existed for about 6 years. The firm and industry discussion in the earlier section highlighted the importance of this market as part of MF's overall operations and their role in the *Silversun* program. *Silversun* manages all citrus market exports from Australia to the US. The specifications for quality and quarantine requirements are at their highest in this market. MF has an annual three-month supply contract with WFS, representing about 30 percent of their annual sales and 20 percent of *Silversun's* contract. Any problems with this business relationship could not only directly affect sales by MF but also potentially affect the viability of future dealings with *Silversun* in the US market.

In July 2000, a telephone complaint came through to Don, the Export Operations Manager at MF, that the last shipment to WFS contained fruit fly. WFS's Export Operations manager, Wes, claimed that 6 out of the 32 bins of navel oranges that had arrived were affected and that they wanted time to check with their quarantine inspectors. Meanwhile, WFS wanted a freeze on all citrus fruit exports out of Australia, a quarantine inspection done on the region, all of MF's growers to be sprayed and fly traps installed under the direction of the Department of Research and Natural Environment (DRNE). By agreeing to these directives from WFS, Don would have agreed not only to the ceasing of all citrus exports from MF to the US market for the season, but also every other citrus export from the Australian market to the US for the season. This would have meant an end to any further orders from the US for that season. It would affect the reputation of MF in the US as well as other foreign markets, once they learned of the outbreak. Don was obliged to contact DRNE immediately on learning of the fruitfly situation and they were now wanting to *"storm troop and go out and put chemicals everywhere"* (Don, March 2001).

Don was anxious to manage the business relationships with his domestic growers as well as their most important foreign customer, WFS. Don was able to trace back within an hour of learning of the incident, the two growers out of the 17 that had been involved in the shipment, that were likely to be the source of the problem. MF's packing system was entirely computerized and all deliveries were sorted according to the grower, the farm, the date and time of packing. The shipment takes 5 weeks to arrive in the US. Don was concerned to ensure that the media did not learn of the issue, as this would have destroyed any chance of salvaging their business relationship and the future of all Australian shipments of citrus fruit for that season.

Don insisted that Wes provide the ID from the US import inspectors before he would quarantine the Australian industry. The US refused to provide the pallet number of the affected fruit, the growers' names, and the time codes. All the boxes were clearly identified by grower and time codes. Don's considerable experience in AQIS and the Department of Agriculture enabled him to use those contacts to stall a quarantine and ban on all Australian exports during the 7-day conflict period. He also used a very confrontational style approach with the US buyer. WFS were refusing to provide the information that Don needed to contain the problem, i.e. the carton numbers. Don was not sure why. The result was that WFS sent the fruit fly for DNA testing. Don refused to allow DRNE to act and this was only as a result of his considerable contacts in the organization. The results came back at the end of the 7 days. It was a sterile, Mediterranean fly. It had not been sighted in Australia since 1938. Finally it became apparent that the fly was from the US. By adopting a very direct, confrontational approach with the US buyer, he was able to use a proactive strategy for dealing with the conflict, protect his domestic growers' reputations and avoid panic in the Australian citrus fruit export industry for the season. The US buyer did not lose face as, even though they admitted that it was their mistake and they had delayed providing the details of the 6 affected boxes, directness and confrontation are expected. Loss of face is not experienced under these circumstances in either culture. Don's relationship with DRNE and AQIS provided the possibility of stalling for time in Australia while the tests were being carried out by the US quarantine authority. Don was able to convince DRNE and AQIS that either WFS had lost the samples, or were not providing MF with the box numbers because they were hiding their own management problems of tracking and monitoring.

The situation was cleared, payment was received and further shipments followed during the 2000 season. WFS were not signaling an end to the business relationship or that they were unhappy with the relationship with MF (mutual state-of-the-relationship talk strategy). Their own mishandling of the situation could have created an end to MF's involvement in the *Silversun* program and even the discontinuation of the program. While the situation was potentially very harmful for MF (fait accompli strategy), relations with WFS since then have been good and a visit by the marketing manager from MF to WFS, followed the incident (voice strategy). The situation had required a direct and confrontational style by MF for management of the incident and the reputation of MF.

While the sources of conflict are different between MF's two buyer relationships, Kingsome (Singapore) and WFS (US) and may also be perceived differently by each party, the findings suggest that the style of communication strategy and if necessary the exit strategy should be considered carefully. Effort should be made on the part of the disengager to preserve each actor's future position in local and global networks by choosing a style of communication strategy and exit strategy that acknowledges cultural sensitivities. By doing so, future indirect and direct network interaction is more likely to remain possible and positive.

CRTICAL FACTORS IN ASSESSING THE IMPORTANCE OF BUYER-SELLER RELATIONSHIPS

A number of past (historical factors) and present (current sales and future prospects in the particular market) aspects were identified as critical in assessing the importance of buyer-seller relationships to a firm. Five factors came out of case study discussions, which have implications for conflict management and exit strategies in buyer-relationships in foreign markets. First, the history of the relationship with the foreign buyer (duration, nature, scale, dispersion and scope). Second, the business culture operating in the foreign buyer's market (individualism-collectivism continuum). Third, the importance of the buyer relationship to the organization (number of alternative buyers available to the focal firm in the foreign market). Fourth, the dynamics of the market environment operating in the foreign buyer's market (competitor, legal, political, economic, technological and environmental factors) and finally, the future options for the firm (alternative buyers, foreign markets and modes of entry).

These factors can be seen as the "contextual boundary" that operates around the focal firm's buyer-relationships (Figure 1). This "contextual boundary" becomes even more complex for the firm to operate in, when it has to manage business relationships that are undergoing tension and conflict and possibly exit, in psychically distant (dissimilar) cultures. Inexperience or insensitivity, for example, can result in inappropriate perceptions of communication and voice strategies being used by the various actors in the cross-cultural business relationship. In turn this can prevent or distort appropriate selection of management style strategies for resolving or exiting business relationships. Alternatively, misuse, consciously or unconsciously of appropriate conflict management styles for individualism-collectivism cultures, will move the conflict away from a compromise point. For example, moving a conflict situation from a revocable exit (signally diverging but not exiting relationships) to an irrevocable exit (communication exit or end of the relationship).

The major contribution and findings from this study support the view that the focal firm should consciously select appropriate (culturally sensitive) exit or revocable exit strategies, in order to exact a *"beautiful exit"* (face giving and face saving), which enables indirect network connections following the termination. A firm that chooses (disengager) to exit or revoke (disconnect) and thereby communicate the need (voice strategy) for a change to the business relationship, is then more likely to be able to re-establish (re-connect) with these actors in the same or similar international production nets, if these interactions are managed consciously and sensitively. The essential point from the case study findings is that business relationships are interactions that will continue to occur with actors or other actors in one or many production nets, despite the formal exit of a business relationship.

CONCLUSION

A business relationship that is dissolved in a manner of high tension and conflict can still hurt the disengager long after the relationship has formally ended (exited), through sabotage, retribution, or activities through third party actors in close or distant production nets. The implication is that business relationships never end. While the focal firm and buyer may come to a formal end in their business relationship, informal interactions in an international environment will continue, indirectly. For this reason, to maximise future options and positive interactions of the firm, it is important to exit or revoke business relationships *"beautifully"* (Alajoutsijarvi & Tahtinen, 2000), to ensure the firm's continued goodwill and reputation.

In addition, in the selected conflict situations with foreign buyers in this study, interviews with the managing director and export operations manager, in particular, revealed that culture does play a large part in the management style of relationships. For the MF case study industry, the added complexity was the stringent quarantine and inspection arrangements and the high quality specifications in the NZ and US markets which do not exist in the main Asian markets of Singapore, Hong Kong and Malaysian. However, the stringent quarantine requirements and to a lesser extent quantity specification do exist in other Asian markets that MF deals with including Japan, Indonesia, Taiwan, Thailand and Sri Lanka. However, Japan, is still considered a high quality end of the market. Thus, the cultural and legal environments do place formidable barriers to FME and to the management of effective foreign buyer relationships that are long-term and on-going, despite the formal end of a business relationship.

By understanding the importance of each market (buyer and seller) and region to the overall operations of the company, as well as the cultural norms operating in both regions, an analysis of the conflict situation and strategies for *"revocable"* or *"irrevocable exit"* strategies can be understood. The findings in this case study, while based on theoretical considerations are limited by the limited empirical evidence. It is recommended that more research be devoted to the issues surrounding the management of conflict and dissolution in foreign buyer relationships, with particular emphasis on the strategies that should be used for different cultures. In addition, focus of further research on the after effects of poorly managed conflicts and exit strategies on future buyer relationships in foreign markets, would highlight the importance of networks and the interconnections that exist across foreign production nets.

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