The Customer Development Network of ABB Automotive

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Abstract

The creation and development of customer relationship has become a strong marketing tool for most suppliers in the current business world. In addition, the development of relationships has become the main topic for market researchers since they believe that, customers and suppliers are valuable assets of a firm. Most suppliers also face the dilemma of how they should adapt to their customers needs and requirements because adaptations always tighten the bonds of both the supplier and the customer and make them more dependent on each other. In order to identify the reasons why firms place much importance on the development of customer relationships, the authors have undertaken a qualitative study. This study was based on why ABB Automation develops relationship with its customer’s base. The data collected was analyzed to identify the reasons behind the company’s decisions.

Purpose

The main purpose and aim of this research work is to identify and analyze the factors that influence suppliers in developing relationship with their customers.

Method

The results are only based on primary data collected from two qualitative interviews and questionnaire received from three personnel in the marketing departments of the company.

Conclusion

ABB Automation develops relationship with its customers in order to understand their problems, get access to its customers’ customers as well as to allow its customers get access to its resources and technologies.

Keywords

Business Network, Relationship, Adaptation, Technology, interdependency.
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# Table of Contents

1 INTRODUCTION

1.1 Problem Formulation

1.2 Previous Research Studies

1.3 Research Question

1.4 Purpose and Aim of the Research

1.5 Limitation of study

1.6 Relevance of the Study

1.7 Thesis Outline

2 LITERATURE REVIEW

2.1 The idea of Business Network

2.2 Supplier and Customer Relationship

2.3 Kinds of Relationship between Supplier and Customer

2.4 Reasons Why Suppliers Develop Relationship with Customers

2.4.1 Potential Growth and Future Profits

2.4.2 Access to Technologies and Resources

2.4.3 Access to other Customers and Suppliers

2.4.4 To understand customers uncertainties

2.5 Adaptation in Supplier-Customer Relationship

2.5.1 Adaptation in High involvement Relationships

2.5.2 Adaptation in Low involvement Relationships

3 CONCEPTUAL FRAMEWORK

4 METHODOLOGY

4.1 Research Approach

4.2 Choice of Topic

4.3 Choice of Company

4.4 Research Method
4.5. Primary data

4.6. Interviews

4.7. Questions’ Relevance for the interview
   4.7.1. Business Network
   4.7.2. Supplier and Customer Relationship
   4.7.3. Reasons for the Development of Supplier Customer Relationship
   4.7.4. Adaptation

4.8. Questionnaire

4.9. Secondary data

4.10. Data Analysis

4.11. Ethical Consideration

4.12. Evaluation of the study
   4.12.1 Reliability
   4.12.2 Validity

5. **EMPIRICAL STUDY**

5.1.1. The Company’s Introduction
   5.1.2. The Company’s Brief History
   5.1.3. The Company’s Customers
   5.1.4. Customer Service

5.2. **EMPIRICAL FINDINGS**

5.2.1. Business Network
   5.2.2. Supplier Customer Relationship
   5.2.3. Kinds of Supplier Customer Relationship

5.3. Reasons for Supplier Customer Relationship
   5.3.1. Future Potential and Profit
   5.3.2. Access to Resources and Technology
   5.3.3. Access to other Customers and Suppliers
   5.3.4. Understand Customer Uncertainties

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Customer Development Network of ABB Automation
5.4. Adaptation in Supplier Customer Relationship ______________________________ 29
  5.4.1. Adaptations in High involvement Relationships ________________________ 29
  5.4.2. Adaptation in Low involvement Relationships __________________________ 29

5.5. Cases_______________________________________________________________ 31
  5.5.1. The Case of SWEDISH G and TRAKIA ________________________________ 31
  5.5.2. The Case of BEAU _______________________________________________ 31
  5.5.3. The Case of GRACIA ______________________________________________ 32
  5.5.4. The Case of SMEC ________________________________________________ 32

6  ANALYSIS OF FINDINGS ________________________________________________ 33
  6.1. Business Network __________________________________________________ 33
  6.2. Supplier Customer Relationship ______________________________________ 33
  6.3. Kinds of Supplier Customer Relationship ________________________________ 34
  6.4. Reasons for Supplier Customer Relationship _____________________________ 35
    6.4.1. Future Potential and Profit ________________________________________ 35
    6.4.2 Access to technologies and Resources ________________________________ 35
    6.4.3 Access to other Customers and Suppliers ______________________________ 37
    6.4.4. To Understand Customers Uncertainties _____________________________ 38
  6.5. Adaptation in Supplier Customer Relationship ____________________________ 38
    6.5.1 Adaptation in High involvement Relationships _________________________ 38
    6.5.2. Adaptation in Low involvement Relationships _________________________ 39

7. CONCLUSION __________________________________________________________ 42
  7.1 Theoretical Contribution and Suggestion for future Research________________ 44
  7.2 Recommendation for the Company ______________________________________ 45

8 REFERENCES __________________________________________________________ 46

9 APPENDIXES __________________________________________________________ 51
  9.1 Interview Questions with ABB Automotive Process ________________________ 51
  9.2 Questionnaire ______________________________________________________ 52
List of figures

Figure 1: Conceptual Framework of Customer Supplier Relationship........................................ 15

Figure 2: Customer development network of ABB Automation .............................................. 30
1 INTRODUCTION

1.1 Problem Formulation

Currently, the main focus and attention of marketing research is about the development and management of business relationship because both supplier and customer possess some valuable assets that might be of importance to each other (Cunningham 1982, p. 307). The relationship between supplier and customer has attracted a lot of attention from a wide range of perspectives like consumer product marketing and service marketing (Gronroos 1983, p. 577). In addition, during the 1990s, the role of business relationships has been embraced as a strong marketing tool in many lines of business. For this reason, many researchers from different subject area have started to give much attention to business relationships (Holmlund & Törnroos 1997, p. 304).

The question that has been bugging the minds of suppliers and customers is the assumption of whether having a strong supplier-customer relationship is necessarily of much benefit. Because some customers even large ones might not be worth having. That’s, they may be too hard and difficult to satisfy, too demanding or will not pay a fair economic price to generate enough return to cover the cost of investing in the relationship. Suppliers too may be too late in delivering, offer obsolete and inferior products and even sometimes demand high and unreasonable price increases (Ford et al. 2008, pp. 45-46).

Furthermore, in order to meet the competition demands in today’s business world, both the supplier and the customer need to focus on how to be competitive. One way a supplier can be competitive is to adapt to the requirements to its customer base. That is adaptation and cooperation between supplier and customer can have some significant impact on their strength needed to cope with the intense competition environment. Through this cooperation, both the supplier and the customer would be able to share resources, knowledge and reach formidable goals which will be impossible for just one of them to reach on its own (Ford et al. 2008, pp. 177-179).

The aforementioned statements lead our minds toward some ultimate questions like for example: Do suppliers have to create new relationships and if yes, which one should be
developed and maintained? Another question that needs critical answers is how should the supplier deal with adaptation situations in its relationship network? Should they have to adapt in every relationship or to some specific customers? Moreover, what might be the reasons why suppliers invest heavily and commit itself in establishing and developing relationship with its customers through its network? Sometimes, the relationship may look unprofitable and unbeneﬁcial but suppliers develop high involvement relationship with these customers by committing resources and activities.

From the above mentioned questions concerning supplier and customer relationship, the main aim of this paper is to investigate how a company has developed relationship with its customers. This paper will also look into how suppliers handle adaptations in their relationships with the customer base.

1.2 Previous Research Studies

Previous research done by others revealed some reasons behind suppliers’ decision to establish relationship with its customer base. For example, Aydogdu (2009) provided two reasons why suppliers develop relationship with customers.

Firstly, from the survey conducted by Aydogdu (2009, pp. 37-38), he found out that, most suppliers place much importance on customers who they can generate large and steady ﬂows of orders as well as those that can be relied upon in the long run. That’s proﬁt was one of the main reasons why suppliers develop customer relationship which are very essential for the supplier to achieve economies of scale.

Secondly, access to technology was another reason why they establish this relationship with their customers. From the survey conducted by Aydogdu (2009, pp. 38-39), he observed that, the participants who were suppliers assign great importance to both direct and indirect supporting activities such as know-how, ﬁnancial support and product development skills. This support was so vital for the suppliers in transferring tacit knowledge which helped them in making some signiﬁcant improvements in their performances.

In addition, Tasheva and Thaisrivichai (2008, p. 27) revealed that, AstraZeneca makes use of its network with the aim of getting access to some latest technologies which are available
in the network. This technology enabled the company to enhance its innovation processes as well as complete many new products. Moreover, AstraZeneca place must emphasis on customer trustworthiness as well as a customer who can provide some kind of skills and resources to supplement its own capabilities.

Hagberg-Andersson (2007, pp. 50-61) observed during her pilot interview with some suppliers that, about 65% of the suppliers make adaptations within their relationship with potentially committed customers. Most of these adaptations are made within the production and delivering processes. In addition, most of the suppliers were willing to make commitments by investing in the relationship with their potential buyers. That’s they are willing to invest in relationships which will be beneficial to both the suppliers and the customers. In other words, the suppliers are very selective when dealing with adaptations with its customer base and much emphasis was placed on the kind of relationship they have with the customers.

In conclusion from these previous studies done, suppliers develop relationship with their customers to gain profit as well as to get access to some technologies, resources and financial support. Moreover, suppliers adapt to their customers’ needs but are very selective on the kind of customers to adapt for.

1.3 Research Question

This research work focuses more towards the relationships that exist between supplier and customer and the reasons why these relationships are developed. The development and building relationships is currently one of the competitive tools for many suppliers and customers. They use these relationships to develop and shape their offering by outsourcing some technologies and R&D either from their supplier network or their customers’ network (Ford et al. 2008, p. 78). The question that comes out is how and why they develop these relationships with their customers. In order to answer this question, it would be relevant to look into how a supplier has developed and built relationship with its customers through their networks. For this reason, the main research question for this study is:
What are the important factors that influence ABB Automation in developing relationships with its customers?

Moreover, the following sub-question will be used to answer and develop the research question.

- What factors does ABB automotive consider in adapting to its customer requirements?

1.4 Purpose and Aim of the Research

In this modern business market, suppliers have been finding it hard to meet the competition demands in today’s business world. Most of these suppliers don’t focus on how to be competitive but rather how to expand and make huge profits. That’s most of these suppliers either fail to adapt to their customers requirements or don’t cooperate with their customers to identify their problems and uncertainties. In addition, some too don’t even know the importance of developing and investing in customer relationships (Turnbull et al. 1996, pp.44-45). For this reason, the main purpose and aim of this research work is to identify and analyze the factors that influence suppliers in developing relationship with its customers.

1.5 Limitation of study

Undertaking a research work for the whole customers of ABB Automation worldwide would be too broad and time demanding due to limited resources and time. Also it would be difficult to come out with concrete results for a study of ABB Automation customers throughout the world and for this reason; the authors narrowed this study to the customers of ABB Automation in Sweden. Moreover, the authors will also focus on the customers of ABB Process Automation in chemical and food products. In addition we also faced practical limitations such as interviewing all the managers in ABB branches in Sweden.

1.6 Relevance of the Study

According to Blankenburg et al. (1999, pp. 470), the attitude of a supplier and customer in this current business world has changed from the traditional way of just buying and selling to the development of either close or distant relationship between these two entities. To some extent, suppliers and customers commit resources in the form of heavy investment in
these relationships instead of either using the investment in developing new products or embarking on promotional activities which increases profitability. Due to the aforementioned changes in the business world, the authors thought that, undertaking a research work like this to seek the reasons behind the formation of supplier and customer relationship would be relevant and valuable to managers, students, and researchers. On the managers’ side, it will provide some practical contributions which will help them understand the actual reasons behind supplier and customer actions in developing relationship with each other. This research work will also provide theoretical knowledge for both students and researchers by serving as a source of reference point for further studies in business networks.

1.7 Thesis Outline

This research work consists of seven chapters each chapter will deal with specific part of this research work.

The first chapter will give a brief introduction about the main topic of discussion as well as previous studies done. For example, is it really necessary for suppliers to develop and invest in customer relationship? Moreover, what might be some of the consequences of adapting in these relationships?

The second chapter reviews the literature on supplier-customer relationship and adaptation. It begins with a discussion of business network and elaborates further into some of the reasons why supplier develops relationship with customers and how they handle adaptations in different situations.

The third chapter provides information about the methods used and the reasons for these choices. The research is a qualitative and the methods that would be used in collecting data would include interview and questionnaires.

The fourth chapter presents the empirical findings which were retrieved from the company through the conducted interviews and questionnaire. Some of the empirical results showed that, the company develops relationship with their customers to understand them as well as to get access to their customers’ customers if only they have something to offer these
customers. In addition, the company adapts to the customer’s needs but more evaluation is made with cost and price before making those changes. If the customer pays the required price for a specific adaptation, they get the exact changes requested.

The fifth chapter is the analytical part of the research work; the findings of our study would be linked to some of the critical literature review.

The sixth chapter is the conclusion part of this research work. In conclusion, the company creates relationship with the customers to understand their problems, get access to their customers’ customers and enable the customers get access to its resources and technologies. Adaptations are also made for both low and high involvement relationship with much concern on cost.

The last chapter provides suggestion for ABB Automotive relationship with its customer network. The recommendation is that, the company should adapt for high involvement customers base on trust and commitment rather than cost irrespective of the size of the adaptation.
2 LITERATURE REVIEW

2.1 The idea of Business Network

The formation of business networks is becoming increasingly very common in the emerging markets as a result of rapid technological development which needs considerable development resources (Blankenburg et al. 1999, p. 472). In order to meet these developments in the business world, customers and suppliers these days depend on each other either as customers or suppliers. That’s, most international companies try to use business relationship as the main tool to cement their businesses (Ford et al. 2008, p. 8). Spencer and Valla (1989) defined network as a set of interconnected relations which involves people and organizations forming a structure sub-system within a larger system of actors. They further stressed that, the main purpose of networks is to allow and facilitate the exchange of goods and services between a supplier and a customer. Hakansson (1982) also emphasized that; business network is a set of actors who interact with each other to perform different kinds of activities. This implies that, the interaction between suppliers and customer firms are not the matter of just selling and buying to each other but comprise patterns of information exchange which are important to the firm’s needs, capabilities and strategies with regard to production, logistics, development and quality. In other words, interaction is about coordinating interdependent activities between the two firms. Interdependence can also be based on the need to get access and use the knowledge and abilities of others which comes in the form of products, services and technology (Turnbull et al. 1996, p. 47). In addition, Turnbull and Wilson (1989, p. 4) stressed that, the basic idea of company’s interdependencies in relationships is due to the kind of resources each possess and therefore interact in order to exploit and develop their resources.

2.2 Supplier and Customer Relationship

The creation of networks between supplier and customer develop strong ties between these two entities which are known as relationship. Holmlund and Törnroos (1997, p.307) described relationship as an interdependent process of continuous interaction and exchange between two or more actors in a business network. That is relationship is formed with the aim of connecting the different actors together. They continued by emphasizing that, by
connecting the actors, it will provide the necessary resources to carry out production activities which the other firm actors do not possess.

2.3 Kinds of Relationship between Supplier and Customer

The supplier must also consider the kind of relationship to develop with a potential customer. According to Ford et al. (2008, p. 116) there exist two kinds of supplier-customer relationship in the network which are high involvement and low involvement relationships.

In the high involvement relationship, both parties learn about each other and adapt to each other requirements, expectations as well as benefit fully from each other skills and resources. Moreover, high involvement relationship reduces cost and risk associated with dealing with new counterparts. Many people would think that, suppliers should develop better and close relationships with their customers’. But however, developing high involvement relationship required high investment, resources and commitment therefore; supplier should evaluate the future potential return on the relationship before embarking on (Ford et al. 2008, p. 117).

On the other hand, in low involvement relationship, the relationship between the supplier and the customer is distant. That is many customers prefer to shop around among many suppliers and therefore see close relationship as less important. In addition, customers would prefer standardized products and purchase in series of separate transaction with the aim of minimizing price it pays. For this reason, suppliers should develop low involvement relationship with customers who exhibit these behaviors (Ford et al. 2008, p. 116). Many might be of the view that, suppliers should try to develop close relationship with customers who don’t shop from one supplier with the aim of transforming them into potential close customers. But doing this will be dangerous and might result in wrong investment since customers who behaves like this find it hard to stick to one supplier no matter the amount of commitment and investment employed.

2.4 Reasons Why Suppliers Develop Relationship with Customers

Firms in today’s business world have developed the interest in creating and building relationship with their potential customers through networks. Also the development of
relationships has become the main topic for market researchers since they believe that, customers and suppliers are valuable assets of a firm (Cunningham 1982). Among the reasons why suppliers develop relationship with customers are presented below.

2.4.1. Potential Growth and Future Profits

Many suppliers today look beyond the profit they will achieve today to the profit that will be achieved tomorrow or the future. That is they see some potentials for future growth in some categories of customers which are unlikely to be profitable now due to the cost of investing in such relationship (Ford et al. 2008, pp. 149-151). In addition, unprofitability of some customers may be temporary due to environmental influence; behavior of the customer’s purchasing attitude and lack of appropriate cost information (Shapiro et al. 1987, pp. 102-103). Although companies will need current profits in order to generate enough working capital to cater for the day to day running of the company but those profits might not lead the firm to future growth. Therefore firms develop relationship with profitable customers and potential future profits customers by investing heavily with the aim of getting higher return on the investment (Ford et al. 2008, pp. 149-151). But however, from previous research study undertaken by Aydogdu (2009, pp. 37-38) showed that, most companies considers customers who can provide them with large and steady sale volumes as well as those that can be relied upon in the long run. That’s profit was one of the main reasons why suppliers develop customer relationship which is very essential for the supplier to achieve economies of scale.

2.4.2. Access to Technologies and Resources

These days, many companies focus on relationship development and management instead of separate discrete transactional exchanges with business counterparts (Holmlund & Törnroos 1997, p. 305). Hallen (1986) also stressed that, apart from marketing and purchasing interacting between suppliers and customers, specialists in manufacturing, design, development, quality and finance are all involved in today’s business relationships. This implies that, suppliers and customers create relationship to tie their resources together. Although tying resources together will create value in the relationship but can also have effect on the resources themselves. Ford et al. (2008, p. 72) also argued that, suppliers may
create relationship with customers to achieve a range of non-financial objectives such as access to technology, resources and reference sites From previous studies conducted by Aydogdu (2009), suppliers assign great importance to both direct and indirect supporting activities such as know-how, financial support and product development skills. Turnbull and Zolkiewski (2002, p. 583) also stressed that, suppliers also develop relationship with customers for R&D purposes. That’s the increase in technical and scientific specialism makes R&D very expensive therefore making it difficult for a single supplier to acquire all the knowledge for innovation purposes. Holmlund and Törnroos (1997, p. 306) also emphasized that, many suppliers also gain most of their resources through the formation of relationship with their customers through a business network. That’s most of these suppliers possess some necessary resources needed in the production activities of the supplier and the only way the supplier can get access to these resources is by developing relationship with this customer. In addition, Tasheva and Thaisrivichai (2008) also revealed that, AstraZeneca uses network to get access to some latest technologies which helped them in enhancing their innovation processes as well as developing many new products.

These imply that, suppliers who lack some necessary skills, resources and technology in developing their offering and services develop relationship with their customers in order to get access to these resources and technologies. Although these technologies can be bought or made by the supplier but they might be very expensive and due to this, will rely on its network to get access to these technologies and resources for either free or limited amount than expected (Ford et al. 2008, p. 78).

According to Ford et al. (2008, pp. 82-83), some of these technologies include product technologies and process technologies.

Product technologies provide the ability to design a particular kind of offering which will enable the supplier to have a good problem solving ability for its customers it serves. On process technologies, it provides the supplier the ability to produce and implement an offering on time, at the right place, to the right specification, at the right price and in a consistence basis. The process technology is the basis of the supplier transfer ability. For example, a supplier may produce high quality products but lack the necessary trucks and
logistics to transfer the products to the customer on just-in-time basis. As a result of this, the supplier will develop a relationship with either a customer or other supplier with advance technologies in logistics.

2.4.3. Access to other Customers and Suppliers

Suppliers not only develop relationship with customers to just get access to resources and technologies but also to get access to the customer’s customers and suppliers. Blankenburg et al. (1999 pp. 465-466) emphasized that, supplier and customers also coordinate their activities with those of their partners in connected relationships through their network. By doing so, they widen the scope of the coordination to include other set of customers and suppliers in a business network. Turnbull and Zolkiewski (2002, p. 585) also argued that, supplier and customer relationship will allow the supplier to identify some key relationship across the customer and other relationships net. By doing so, it allows the supplier in the network to be systematically related to a large number of customers and suppliers even though it has only a direct relationship with one or two customers. Through this, the supplier will get access to a wide range of customers and suppliers both geographically and technologically (Ford et al. 2008, pp. 151-152).

2.4.4. To understand customers uncertainties

According to Ford et al. (2008, p. 57) customers’ problems and uncertainties are the first and most relevant basis of the supplier’s offering. Some of the customer’s problems might be clear to that customer whilst others might have complicated problems which they find difficult to define. Potential customers with complicated and undefined problems may sort for solutions from other suppliers to solve their problems because the customer is not committed to any supplier relationship. In these instances, we will say that, the customer has need uncertainty.

In need uncertainty, customers always fail to define their problems or find the best solution to solve these problems. When faced with need uncertainty, they are likely to favor close suppliers they trust and will depend on a single supplier in solving the problem. Hence, the supplier would be able to identify the customer problems by developing relationship with this customer. Through the relationship, the supplier would help them understand their
problems and together find the best solution to this uncertainty which leads to close future business relationship and profits. Although suppliers would be willing to develop relationship with customers with need uncertainty but they should be critical in the kind of customers they choose since not all will be profitable to serve (Ford et al. 2008, p. 59).

2.5. Adaptation in Supplier-Customer Relationship

Every supplier offering may be supplied to variety of customers but in some cases there could be mismatch between the offering and the problems of the individual customer. During this point of mismatch, the supplier faces the problem of whether to adapt the offering to suit the individual customers or not. By adaptation, we mean a supplier modifying one element of its offering for a particular customer that it would not normally do for other customers (Ford et al. 2008, p. 177). Brennan and Turnbull (1998, p. 135) also defined adaptation as a behavioral modifications carried out by one organization design to meet the specific needs of another organization. This means that, adaptations are perceptions which are based on one individual’s perception of another individual based on earlier activities in the relationship.

This makes adaptation very difficult to define. Supplier can adapt to its customers in several ways. For example a supplier can technically adapt its offering to a customer by modifying for example its products and production processes. Logistically, a supplier can adapt to a customer by establishing common delivery systems and administratively, a supplier can adapt to a customer by modifying its administration routines. A supplier can also adapt to a customers through shared knowledge in developing new products (Gadde & Hakansson 1993, p. 48).

Pfeffer and Salancik (1978) emphasized that, the critical dilemma facing suppliers is whether they should adapt for its less important customers and if yes at what level should they adapt. This means that, at what level they should adapt in product and production process, logistics as well as administration and R&D. Since according to Johansson and Mattson, (1987, pp. 38-39), adaptations’ always tighten the bonds of both the supplier and the customer and make them more dependent on each other.
Dubois and Hakansson (2007 pp. 35) emphasized that, adaptation are a necessity for developing and maintaining a relationship. According to them, the motivation for adaptation is more significant of the difference between the supplier and the customer is large. Johanson and Seyed-Mohamed (1991) also stressed that, adapting to demanding customers can strengthen the supplier’s competitive position since the end result would be superior products.

There are also some significant risks associated with adaptation. That’s the dependence on the buyer increases and the possibilities of finding new customers decreases if a supplier invest heavily in adaptations (Erbismann et al. 1998, p. 17) This means that, if this customer fails the supplier in fulfilling its part of the adaptation process by switching to other suppliers, the supplier may find it difficult selling those adapted products to other customers. Since they were made purposely for a specific customer and do not meet their requirements. For this reason, the supplier must be able to identify widespread customer problems so that, it can address a worthwhile number of customers with a single well designed offerings supplied economically (Ford et al. 2008, pp. 177-178).

Hagberg-Andersson (2006, pp. 203-204) also argued that, extensive adaptations cannot be made to all customers. Therefore, suppliers should focus their extensive adaptations towards the most rewarding relationships since adaptations are resource intensive. Hagberg-Andersson (2007) observed during with some suppliers that, about 65% of the suppliers make adaptations with potentially committed customers. Also, most of the suppliers were eager to commit by investing in the relationship with their potential customers. That’s they are willing to invest in relationships which will be beneficial to both parties.

Moreover, the supplier must also assess the relevance of the individual customer relationship and the level of adaptation required and work with colleagues to determine whether to adapt and how to implement it (Ford et al. 2008, pp.177-178).

2.5.1. Adaptation in High involvement Relationships

Customers buy from suppliers in two different ways which are buy-cycle 1 and buy-cycle 2. In buy-cycle 1, customers depend on their existing relationship with suppliers in finding solutions to their problems. That’s, customers concern about the cost of switching suppliers
and also in developing relationships with other suppliers (Ford et al. 2008, pp. 107-109). Customers in buy-cycle 1 are mostly in close or high involvement relationship with the supplier. Due to this, the supplier uses some of its limited resources to adapt its offering and operations to suit the customer’s requirements. This adaptation is made possible due to the level of already committed investment from both parties.

2.5.2. Adaptation in Low involvement Relationships

Buy-cycle 2 represents customers in low involvement relationships as well as new customers looking for solutions to their problems outside their existing relationships. That is both the supplier and the customer are seeking new relationship (Ford et al. 2008, pp. 109-110). In this situation, the two parties need to invest in learning about each other as well as adapting the offering. Although new relationships are an obvious source for growth since they may provide the opportunity to exploit the offerings that has already been developed in existing relationship. But however, the supplier can adapt to this new customer if the supplier can use the same offerings in existing relationships. In addition, the supplier must also assess the extent to which the cost of any adaptation or development can be recouped in that relationship and in others before adapting (Ford et al. 2008, p. 179).

However, if the customer is not new but already in a low involvement relationship with the supplier, adaptation can only be undertaken if the profit from the adapted offering outweighs that of the cost of adapting. This is so because customers in low involvement relationship have little interaction, investment and coordination with the supplier and do not stick to one supplier (Ford et al. 2008, p. 179) although a certain low involvement may be important in terms of large payments but that doesn’t mean a supplier should adapt to the customer demands. This can only be made possible if the customer show some kind of commitment and investment in the relationship by sticking to that supplier.
3. CONCEPTUAL FRAMEWORK

In this chapter the conceptual framework has been used to build up theories that clarify the models and links that have been found for this research material. Some of the keywords that are going to be used to show connection within the theories will include relationship (High or Low) and adaptation. These connections can be seen in the diagram below:

![Conceptual Framework of Customer Supplier Relationship](image-url)

*Figure 1: Conceptual Framework of Customer Supplier Relationship*  
*Source: Authors own*
From the diagram above, first is the creation of business relationship between supplier and customer which lead to interdependency and interaction between these two parties. This further leads to the development of strong and weak ties by connecting resources and activities. That’s, strong and weak ties lead to the formation of “high and low involvement” relationship respectively.

Moreover, there exist a connection between relationship and adaptation. Before a Company adapts to a customer requirements, much emphasis is placed on the kind of relationship that exist between both parties. This kind of relationship can be high or low involvement. That is most companies will adapt to customers which are in high relationship. This adaptation normally takes place because there exist trust and commitment due to the high investment made in this relationship. In this situation, the customer is considered to be in a “buy cycle 1”. That’s, buy cycle 1 are customers in high involvement relationship with the supplier.

In low involvement relationship most suppliers may or may not adapt. That is adaptation may depend on some characteristics of the customers such as future potentialities. For example a customer which shows some potential for future growth may be considered by some companies worthy and therefore may adapt to their requirements. That’s, these customers may not be profitable to invest today but may show some signs for future profit. Again, most suppliers will adapt if the cost of adapting is less than the price the customer would be willing to pay and vice versa. Moreover, companies may choose not to adapt in low relationship because it might be risky due to the behavior and attitude of the customers. In this circumstance, the customer is considered to be in a “buy cycle 2” where there will be no adaptation. In this case, buy cycle 2 represent customers in low involvement relationship with the supplier.

In conclusion adaptation depends on the kind of relationship between a supplier and a customer and these relationships are built on trust and commitment which requires high investment. Therefore, without relationship there might not be any adaptation.
4. METHODOLOGY

4.1. Research Approach

In order to conduct a research study, contacts within the organization is very essential since that’s one of the efficient ways to get reliable information for a study. Firstly, the authors made good use of their network to open up contacts with ABB Automation Process which enabled them to have some personal contacts with the leaders of the company. Two separate interviews and questionnaire were conducted between 11\textsuperscript{th} April and 4\textsuperscript{th} May 2011. The authors arrived at the headquarters of the company on the appointment date 30 minutes earlier which helped in making a proper arrangement for the meeting to take place. Since according to fisher (2007, p. 169), the place where the interview takes place needs organizing. During this section, one of the group members asked most of the questions whilst the other took notes.

4.2. Choice of Topic

There are numerous topics for researchers to choose from and conduct a research study on but the main reason for choosing this topic is the level of interest the authors have in business networks. That’s, the behavior and attitude of suppliers in today’s business world has changed from profit centered relationship to a more interdependent one. As a result of this, the authors found it more interesting to look into the reasons behind this change in supplier and customer attitudes. Also, the authors chose this topic because it’s durable and were enough to last the length of the time frames available for this study. Another reason for choosing this topic was the contacts and connections they had in ABB Automation. These contacts and connections enabled them to explore the company and retrieve most relevant information and resources needed to achieve the purpose and aim of this research study. Moreover, the authors also found the topic very relevant and worth researching for.

4.3. Choice of Company

Concerning the research question of this paper (the relationships that exist between supplier and customer and the reasons why these relationships are developed), any companies could be chosen and studied for this research regardless of the fields of the Companies. But since
both authors live in Vasteras (Sweden) it was decided to choose a company to be located in this city in order to have easier access to the Company. Besides, due to the fact of research question it was needed to study a big Company with a wide networks and range of customers. Moreover, having a contact in ABB Automation was the major reason for choosing this Company.

4.4. **Research Method**

This research study is exclusively based on primary data collected qualitatively. After studying the research question, it was decided to base this research on qualitative research method and the tools that were used in collecting data were interviews and questionnaire. The main reason for choosing qualitative method through interviews and questionnaire is to get actual views of the respondents which will in turn help the writers in doing critical analysis. Because according to Lundahl and Skarvad (1992), qualitative research deals with words which are stated verbatim from the respondents. That’s, qualitative method contains the collection of data that heritages from a non quantifiable sources such as attitudes, values and perceptions.

4.5. **Primary data**

In this research, the primary data used is the findings and data include the qualitative interview with the senior vice president of the company as well as the questionnaire received from three marketing personnel of the company.

4.6. **Interviews**

In order to achieve the aim and objectives of this research, the authors decided to use unstructured interview to collect data from the correspondent. This interview was undertaken personally and involved some practical questions which were designed to include all parts of this research and was not a straight forward question. The interview questions were piloted with some students and were sent to the correspondent the day before the interview schedule to enable him have ample time to prepare with motivated answers. Because, according to Wallen (1993), piloting interview will enable the researcher to avoid some unclear questions and also to stick to the agreed interview time schedule.
The interview was conducted in English which is not the mother tongue of the correspondent due to the authors’ inability to speak the native language of the interviewee. Although many may think that, since the interviewee native language is Swedish, interviewing him in English won’t generate accurate results but English is the official language in the company. During the interview, most of the unstructured questions were reviewed to ensure that, the interviewee have a clearer and better understanding of the questions. The aim for doing this is to ensure a comfortable environment for the interviewee to enable him provides lots of information in a free and relaxing manner (Boyce & Neale 2006). The researchers summarize the interviewee’s main response for each question to ensure accuracy of the information. The actual interviews took about 70 minutes and was a two to one conducted in unstructured manner which helped the interviewee to express himself within the scope of this field of study. The interview took place in an oval conference room and was recorded with the consent of the interviewee.

Many may propose that, conducting interviews consumes a lot of time and also very expensive. But the authors believe that, using interviews would enable them have an in depth discussion with the correspondent of the company’s relationship with its customers. That’s, it enabled them to ask more in depth questions which provided rich information about the subject of interest. According to Fontana et al. (2000), the most common and effective way to get to know and understand people’s nature is through interviews (cited in Lind & Knudsen 2007).

4.7. Questions’ Relevance for the interview

In this column, the authors will use some open questions (see appendix 1) which are related to the topics stated below. These topics are related to the theories used in this research study. The format for these topics presented below does not necessarily match with the way the interview was conducted since much in depth questions were asked during the interview session.

4.7.1. Business Network

The general idea of business network and its importance to suppliers and customers will be the first set of questions that would be asked during the interview. This question will raise
issues related to the importance of the formation of business network as well as the interdependency and interaction between suppliers and customers. This question would help us understand the position and idea of ABB automotive concerning the formation of business networks.

4.7.2. Supplier and Customer Relationship

On the supplier customer relationship, the authors will focus on questions related to the necessity of supplier customer relationship and the kind of activities that take place in it. For example what kind of actors and resources are connected in the relationship. This question will enable us to know whether suppliers and customers connect resources and activities in the relationship in developing their offering.

4.7.3. Reasons for the Development of Supplier Customer Relationship

The next step is questions about the reasons behind supplier customer relationship. That’s, these questions will relate to whether suppliers develop relationship with customers due to profit, technology and resources access as well as to understand their customers problems and needs. The authors will also ask question about whether the supplier has some direct or indirect connections with its customer’s customers. These questions will assist the authors to understand the reasons why most suppliers invest and commit resources all in the name of building relationship. Because, these investments and resources could be used in the development of other offerings and services and this will create economies of scale as well as profit for the company.

4.7.4. Adaptation

On the issue of adaptation, the researchers would base the questions of whether the company adapts to its customers requirements and how these are done. For example: what kind of adaptations are made (Product, Logistics or Technical) and in which kind of relationship (High or Low). In addition the authors will also ask question about the kind of factors the company consider before undertaking any adaptation. For instance, do they make modifications base on trust and commitment of their customers or on the evaluation of cost versus the price that the customer will be paying. Moreover, the researcher would also ask
the opinion of the interview about if standardized changes are made to suit all customers or for just a specific customer in either high or low involvement relationship. By asking these questions, it will make the authors understand while adaptations are done in some relationships and not in other. Also it will also give an answer to the research question.

4.8. Questionnaire

In order to come out with accurate findings, the authors decided to also use open questionnaire (see appendix 2) in getting information from three marketing personnel working under the author’s correspondent. These people names remain anonymous due to security reasons. This open questionnaire included most questions discussed during the two to one interview with some space to enable the respondents make their responses in their own words. The questionnaire was sent and received through face to face meeting. Because according to Fisher (2007, p. 191), sending and returning completed questionnaire by email will make it difficult to promise confidentiality convincingly since the sender’s email address will show in the email. The reason for using open questionnaire is to see how the answers of the interviewee will correspond to that of these anonymous correspondents. By doing so, it will enable the researchers evaluate the reliability and trustworthiness of the results.

4.9. Secondary data

In this research study, secondary data played an important role in the literature review column by providing some theories and research studies already undertaken by some researchers. Some of the secondary data used are journals, thesis and articles. The reasons for choosing these articles and journals are numerous and amongst them are:

Firstly, doing a research work like this needs reliable articles, journals, business newspapers and books. With the help of the University database, many peer reviewed articles and journals were retrieved from sources such as Emerald, Jstor, and academic search Elite therefore making them well regarded. The articles and journals contain some relevant theories and concepts which were more than enough in answering the research question.
Secondly, most of the articles and journals used in this research work had more proportion of articles than books. In addition, the arguments used in these articles and journals were more precise because according to Fisher (2007, p. 92), articles with so many sweeping statements in their arguments need to be observed critically. Moreover, the content of these articles and journals used a mixture of both descriptive and analysis and contains more research evidence.

Other secondary data used are business newspaper, books as well as the official website of the company was used in getting information about the company history and business activities. A search engine like Google (Google Scholar) was also used in obtaining some reliable information and facts needed for this research work.

4.10. Data Analysis

In this research work, the case analysis method would be used to compare the empirical data to several sources with the aim of increasing validity. The comparison and the analysis of the data would be made with much consideration on neutrality. After the comparison, a conclusion would be drawn and presented.

4.11. Ethical Consideration

Before conducting the interview, the purpose of this research work was made known to informants and assured them that, their views will be used for academic purpose. Also, the interviewee was made aware that, his views and comments would be recorded. For this reason, the authors sought his permission before recording the interview.

Throughout this research work, the authors have maintained the anonymity and confidentiality of their correspondents. That’s some personal information retrieved from the correspondents are kept confidential and anonymous. For example, the names used in this research work are not the real names of the informants although some granted them the permission to use their real names. In addition, the names of the companies used in the Cases as well as Customer development network (Figure 3) are not real names of the companies involved but make up names. So for the purpose of confidentiality, pseudo names are used instead.
4.12. **Evaluation of the study**

4.12.1 **Reliability**

To ensure that the data being collected for this research is reliable, during the interview session it was tried to be very fair with the interviewee as possible. For instance, most of the questions were reviewed during the interview to enable the correspondent have proper understanding. Also there was less interruptions which created a conducive atmosphere for the interviewee to answer the questions in a freely manner. Because according to Denscombe (2000), the interviewer must try to be neutral in conducting interviews in order to avoid interview effect. Moreover, it was also tried to be very cautious concerning the kind of questions asked and how they were asked. Although the interview was two to one recorded interview, but the authors also tried to dot down some important comments made by the interviewee which was later compared to the recorded version. Furthermore, to ensure reliability, an interview guide was designed to show the sequential order of how the questions would be asked. Because according to Burns (2000, p. 6), a research study can be repeated by other researchers and if two or more researchers use the same series of methods, they should all arrive at the same results.

4.12.2 **Validity**

In testing the construct validity in this research study, the interview conducted as well as the questionnaire was used as the main evidence. The authors used these methods to get information from four different high authority people in the company. In addition, the concepts and terms used by the authors in analyzing and describing the research fairly represent the research material. Moreover, the interview and the questionnaire were well reviewed and piloted by colleagues in the business department to ensure the accurateness of the methods used. References were given to all written documents used and a brief description of how the data was collected. To ensure and increase external validity, interviews and questionnaire were used to retrieve data from the sample company which was used in drawing conclusions. In support of this is Yin (2003) who emphasized that, external validity talks about how the conclusions drawn from the research study can lead to further generalization.
5   EMPIRICAL STUDY

5.1.1. The Company's Introduction

ABB is a pioneer in power and automation technologies that make possible utility and industry customers to develop their business while lowering environmental effects (our businesses, 2011). ABB’s core business sections are: power transmission and distribution, environmental control and industrial automation (Customer Profile: ABB - SL Corporation, 2011).

ABB works in almost 100 countries with the headquarters in Zurich and Switzerland. Its offices are located in 87 of those countries in order to give assistance to the local and global customers to progress and manage their business successfully (Welcome to ABB, 2011).

ABB provides wide range of products and services within power and automation technologies (ABB product guide, 2011). The automation market can be divided into three sectors: Process, Factory and Building automation (ABB Ltd, 2001). In this research the main focus will be on Process automation division and its product lines.

Process automation relates to control systems that used in processes in which the major aim is constant production, such as oil and gas, electricity, chemicals and pulp and paper. Product lines for this division consist of equipments, discrete measurement and control products and systems, as well as motors and drives. This sector gives the complete process automation systems which includes medium and low-voltage switchgear, synchronized drive systems, instrument and control and advanced diagnostic packages. Its products consist of software to enhance the manufacturing and business processes (ABB Ltd, 2001).

5.1.2. The Company's Brief History

The history of ABB goes back to more than 120 years ago (Our history-ABB group, 2010). Ludwig Fredholm initially set up Elektriska Aktiebolaget in 1883 as a manufacturer dynamos based on the designs of Jonas Wenström who was a young engineer (ABB Asea Brown Boveri Ltd. - Company History, 1998). In 1890, Elektriska Aktiebolaget merged with Wenströms & Granströms to the new name Allmänna Svenska Elektriska Aktiebolaget (ASEA) to supply electrical equipment for Swedish industry (History of
Between the years 1940 to 1950, ASEA AB extended its business into the power, mining and steel industries and, by 1980, was known one of the world’s ten largest electrical engineering groups (ABB Ltd, 2001).

In August 1987, Sweden's ASEA AB and Switzerland's BBC Brown Boveri Ltd declared that the two companies would merge to establish a new company, named Asea Brown Boveri Ltd. (ABB). The two companies changed their name officially to ABB AB and ABB AG in February 1996 (ABB Asea Brown Boveri Ltd. - Company History, 1998).

5.1.3. The Company's Customers

ABB sells vast sorts of products, systems and services to a large group of industrial and commercial customers all over the world (ABB Ltd, 2001).

The main end customers of Automation Technologies section are companies in the chemical, life sciences (pharmaceuticals), automotive, marine, turbo charging, metals, minerals, mining, and cement, paper, petroleum, food and beverage and printing industries. ABB sells to each of these industries via either direct sales or third party channels such as distributors, wholesalers, installers (ABB Ltd, 2001).

The customers use Automation technologies in order to optimize product quality, productivity and consistency in industrial and manufacturing functions (ABB Ltd, 2001).

5.1.4. Customer Service

ABB’s customer service functions in Automation Technologies section comprise of repairing, renovating and reversing of rotating machine products manufactured by this section and also those from third party suppliers (ABB Ltd, 2001).
5.2. **EMPIRICAL FINDINGS**

5.2.1. Business Network

Knowledge between people is extremely very important. Network is about knowing people and it’s very important for ABB as well as any other company. For ABB, participating in different industrial activities is very important because it enables the company to be a known name on the market. In addition, it also helps the company to get some personal contacts with the customers which is very often the most important. Because when you invest many millions, you want to invest that preferably in customers you can trust. Due to this, trust is very important in business relationship.

ABB automation is always independent but also dependent on each other. Once a relationship has been developed, it’s necessary for the customers especially in automation that, the systems and solutions the company has delivered will actually work up to their satisfaction. For this reason, you need to have a good discussion and well established relationship.

5.2.2. Supplier Customer Relationship

ABB automation has different customer relationship such as global account which is being used in Sweden. The Company sometimes combines resources with its customers in developing the offering and help them improve through activities all the time. ABB Automation has cases where it actually has to make sure the customers have the resources available. In other case, they will say ABB why don’t you take the whole maintenance of our equipments.

The company provides some kind of after sales services and monitors the offering performance and this happens in its long term relationship. ABB places much value on the customers, listen to them and solve their problems together because it always wants to improve and compete with its rivals. The company also has to work a lot with its customers to make sure that, what it has sold can perform its maximum functions.
ABB Automation expects their suppliers to involve in solving the problems. They must understand what the company is delivering and must come up with good suggestions and solutions such doing something different like high quality and better pricing.

5.2.3. Kinds of Supplier Customer Relationship

ABB Automation does not often have low involvement relationship with most of its customers because, the customers will have the product for a maximum of 20 years and in a way lead to a high involvement relationship. The product life span often makes its relationship with customers’ long term. Sometimes too, some customers will ask other competitors for price quotations to make sure that, the price level that the company is demanding from them is in the right direction. But ABB always feel more secured if it gets an order. Selling chemical projects is different from selling pens which requires months and even years before a contract can be signed and delivered. This requires a long term established relationship with the customer and work a lot with them till when all offers are sold. Moreover, the company has to work with them on different business choices and be there with the customer after all offers are sold. Furthermore, ABB Automation has to make sure that, it establishes a good relationship and help the customers. Because after sales, if the company does not keep in touch with the customer, it may lose them so there is the need to work hand in hand with them to increase productivity and efficiency.

5.3. Reasons for Supplier Customer Relationship

5.3.1. Future Potential and Profit

Although profit is very important for every company since they keep the company running but this is not the main reason for developing relationship with the customers. ABB Automation wants to have access to the market, understand market needs and be the first in the market. In order to do this, the company needs hard work to convince the customers to stop buying from the competitors. ABB Automation always looks at future potential of the customer as well.
5.3.2. Access to Resources and Technology

ABB Automation does not develop relationship with its customers to get access to their resources and technology but it’s often the other way round. The company has enough resources and technology that its customers don’t feel it’s within their core. This is one of the reasons why ABB establishes relationship with them to enable them get access to its resources and technology. The reason behind this is very specialized equipment you are selling and also depending on the size of the customer. The company can’t even think of an example of the other way round. Although it’s very risky to allow customers to get access to our technology but the customers know that, it’s not one time business. It’s something they will need for the next 20 years and cannot be easily developed by them.

5.3.3. Access to other Customers and Suppliers

The company does not only have some kind of indirect relationship with its customers’ customers but has different ways of getting in touch with other customers through the company’s network. For example, ABB participates in different type of networking such as organizations organizing in the chemical field something like tradeshows, forums and conferences where ideas are shared. The company is active participants in these networking and typically, it’s not only through their customers. ABB Automation also presents some papers to its customers’ customers to have ideas if nothing else to get ideas its customers have about where their customers are going. For instance to see if there will be a demand of high quality paper in the future or to see more colored print than what the company did before. Also to see whether they would like to have more grocery paper and something like that in the future?

The company sometimes has some kind of indirect relationship with its customers’ customers if only it has something to offer them.

5.3.4. Understand Customer Uncertainties

One of the main reasons for developing relationship with the customers is to understand their problems. Also to understand the market needs and where it’s going in the future. The company would like to be number one in each of the segments it’s working in; therefore it
needs not to only understand their customers but also what its customers’ customers are demanding in the future. The company needs to have a very good sense of the industry to see how the industry is and what the company would be able to offer and even offer better solutions for its customers or even its customers for their customers. By understanding the customer’s problems, ABB Automation thinks about previously used technologies that can be used to develop new products. And if it tends out successful, then it becomes a new product and tries to sell to other customers as well.

5.4. Adaptation in Supplier Customer Relationship

5.4.1. Adaptations in High involvement Relationships

In high involvement relationship, if it is a small adaptation which can also get general market value, then no evaluation is done on the cost of adapting. But ABB Automation places much importance on cost evaluation if the adaptation requested by the customer is large and cannot be used in other relationships.

5.4.2. Adaptation in Low involvement Relationships

In low involvement relationships, ABB Automation makes specific adaptations for customers in low relationship. For example, whenever the company delivers a project to a customer, it’s adaptation because what is delivered really differs from one customer to another. Adaptations are made on services without evaluating cost but it’s the other way round on the adaptations on the basic product. On the basic product, adaptations are made for customers who will be willing to pay for the demanding price if only they make an order. In this case, if the cost is very high, the company normally has a discussion with them to make them aware of the kind of adaptation required and the cost associated with it. If the customer becomes satisfy with the asking price, then ABB sets an agreement and ask him to place an order. If the customer pays the agreed price, he will get the exact changes requested.

ABB Automation also makes adaptations for new customers with future potentials as well as the usefulness of the adaptation in other relationship. If the adaptation is for a specific customer but can be sold to other customers, the company does not consider the cost so
much. In this case, ABB Automation makes standardized adaptations which can be sold in other relationships.

In situations where this is the only customer that will ever buy that adaptation, then the company considers the cost of adapting. In this case, adaptation would be based by having an agreement that, if ABB Automation sells this to someone else, it will give that specific customer a license fee since it’s that customer that owns the adaptation. The company always tries to find solutions to the customer problems and the solutions are based on their own knowledge.

Figure 2: Customer development network of ABB Automation
Source: Based on the results
The figure above shows the customer development network of ABB Automation and this network was made by the authors based on the information retrieved from the company. This makes the figure not the exact customer network of the company. The authors also assumed that, the customers of the ABB Automation have relationship with their own customers and suppliers which are included in the figure above. In addition, although the names of the companies in the figure above are makeup names but most of the relationships in the network are real.

In the figure, the companies in blue circles are the main customers of ABB Automation whilst those in light Purple circles represent ABB Automation Customers’ Customers and Suppliers. The light green circle companies are ABB Automation Customers’ Customer’s Customers. This will be used later in some part of the analysis.

5.5. Cases

5.5.1. The Case of SWEDISH G and TRAKIA

“Swedish G” and “Trakia” are one of the largest customers close to the company MIA which is a car manufacturing company. “MIA” is one of the biggest customers of ABB Automation. Swedish G supplies alloys and other electrical products to its customers. Trakia on the other hand is a retailer which makes plastic flooring carpets.

Through MIA, ABB Automation got access to Swedish G because it has something to offer this company. As a result of this, ABB has a very good relationship with Swedish G and supplies alloys and electrical products to Swedish G.

In the case of Trakia, it produces plastic flooring carpets and their customers are retailers selling carpets. In this case, ABB Automation does not have anything to offer them and no need to get access to Trakia. There is no reason to address our customers’ customers if ABB has nothing to offer them.

5.5.2. The Case of BEAU

“Beau” is one of the biggest pulp paper companies in the world which sells to business customers worldwide. Its customer includes paper merchants and printing houses all over
the world. ABB Automation had a largest contract with Beau to provide and run all the services and maintenance for the company. That’s ABB Automation provides resources in the form of services which Beau does not have.

5.5.3. The Case of GRACIA

“GRACIA” is one of the largest paper printing companies in Sweden and do all kinds of printing services for many supermarkets and stores. This company was concerned with the current changing trend in the kind of paper used for printing and therefore needed a more quality paper for easy printing. ABB Automation had a discussion with them about their problems and how to solve it. By understanding their needs and problems, ABB Automation was able to identify previous technologies used in steel plants to develop paper with easy printing access than the previous one. It has now become a new successful product for the company and is also sold to other paper plant customers as well.

5.5.4. The Case of SMEC

“SMEC” is one of the largest Chemical manufacturers in the world. It provides plastics, chemicals, and agricultural products to customers worldwide. The customers of SMEC are mainly business customers and use the products as an element to their final products.

SMEC used to have their own automation system 10 years ago and decided to stop and search in the market for alternatives but couldn’t find anything that meets their requirements. They came to see if ABB Automation will be willing to do additional developments since the company fulfills most of it and also very close to the kind of product they want. ABB Automation accepted their offer and started to develop relationship with them and made specific developments and designs for them which are also sold to other customers as well. The company accepted this offer due to its huge potentialities as a result of the status of the company SMEC.

A licensing agreement contract was signed between these two companies. It states that, if ABB Automation sells the adapted product to other customers, it will give a license fee to SMEC since they own the adaptation.
6 ANALYSIS OF FINDINGS

6.1. Business Network

As discussed previously in the literature (see p. 7), most companies in today’s business world use relationship as a tool to cement their business due to the interdependency on the suppliers and customers. It has also been argued that, the interaction between suppliers and customers are not just selling and buying but includes the exchange of information which is important to both parties needs. From the findings, ABB Automation places much importance of the formation of business network and depends on each other. The evidence also stressed that, the exchange of knowledge between people is extremely very important. This implies that, the company exchange information and knowledge with the customers through discussions with the aim of delivering perfect solutions to solve the customers’ problems. In this way, both parties are dependent on each other. This also means that, both parties developed well established relationship with each other with other objectives other than just buying and selling. This can be supported with a statement from the literature which emphasized that, suppliers and customers commit resources in the form of heavy investment in building relationships instead of either using the investment in developing new products or embarking on promotional activities which increases profitability.

6.2. Supplier Customer Relationship

From the result of the study, supplier customer relationship helps the company to get some personal contacts which is often the most important. It further showed that, it’s important to invest but should be done with customers you can trust. Therefore, trust is the main tool in supplier customer relationship. This is in line with the explanation given in the literature (see p. 7) that, supplier customer relationship leads to the development of strong ties by connecting different actors together. This development will provide the necessary resources to carry out production activities which the other actors do not have. This means that, ABB Automation connect different activities and resources with the customers which enable the company to have some personal contacts with the customer. For example, the company sometimes combines resources with the customers to develop offering and try to make sure that, the customer have these resources available. In addition, the company provides after
sales services and monitors the performance of the offerings delivered to the customers. This shows that, ABB Automation places much value on the customers, listens to them and solves their problems together which requires mutual trust. These are made possible by the combination of different actors, activities, resources as well as knowledge between these two entities.

One company that has embraced the formation of supplier customer relationship is Dell computer. The company uses virtual integration in building customer relationship. This has made the company know the expectations and preferences of its customer base and therefore allows them to modify their own products. This classical way of innovating has helped Dell to achieve its business objectives (Magretta 1998).

6.3. Kinds of Supplier Customer Relationship

Recall from the literature review (see p. 8), there exist two kinds of supplier-customer relationship in the network which are high and low involvement relationships. From the findings, ABB Automation does not have low involvement relationship but rather high. This is so because; the customers will have the products for a maximum of 20 years which in a way makes their relationship with the customers a long term one. This implies that, the nature of the company’s products make the customer stay with ABB Automation for a long time. Because, the company needs to work a lot, stay with them and be there with the customers after all offers are sold. For instance, the chemical project lines requires months and even years before a contract can be signed and delivered which needs a long term established relationship with the customers.

But however, as it has been argued earlier in (see p. 8), developing high involvement relationship required high investment, resources and commitment therefore; supplier should evaluate the future potential return on the relationship before embarking on. From the evidence, the company is aware of the investments, resources and commitment needed for developing long term relationship but does not evaluate the customers based on future potential return. It’s rather the company’s product which determines the development of the relationship. This means that, the product is the basis of most of their relationship with the customers.
6.4. **Reasons for Supplier Customer Relationship**

6.4.1. Future Potential and Profit

As it has been previously emphasized (see p. 9), many suppliers today look beyond the profit they will achieve today to the profit that will be achieved tomorrow or the future. From the result of the study, it was realized that, profit is important for the company but not the main reason for developing relationship with the customers. The reasons are to get access to the market and understand market needs in order to be the first in the market. This means that, the company places much importance on customer and market needs rather than profit. Although profit is necessary for the company because it generates cash flows but the company believes that, access to market and understanding market needs will even generate higher volume of profit in the future. This also implies that, future potential of customers is another factor they consider in developing relationship with customers. In support of this is the argument made in the literature (see p. 9), that, firms develop relationship with profitable and potential future profits customers by investing heavily with the aim of getting higher return on the investment. But this statement contrast with the opinions of the leaders. What was realized was that, ABB Automation goes for future potential customers but with no aim of getting higher return although higher return may be acceptable.

In comparing the findings with the previous studies done, it was found out that, there was a significant difference with profit. Previous studies by Aydogdu (2009) showed that, other suppliers prefer customers who can generate short run large volume profits. But ABB Automation places much importance on market access and knowledge and hope to achieve high volume profit in the future.

6.4.2 Access to technologies and Resources

Recall from the discussion by some authors (see p. 10), most suppliers create relationships with their customers for different purposes to achieve a range of non-financial objectives such as access to technology, resources and knowledge for innovation purposes. The findings revealed that, ABB Automation does not develop relationship with its customers to get access to their resources and technologies but it’s often the other way round. This shows that, the company has enough resources, technology and necessary skills for developing
their offering and services. ABB Automation as a supplier creates relationships with its customers in order to enable them get access to its resources and technology.

However, it was stressed in the literature (see p. 10) that, suppliers might also develop relationships with customers for R&D purposes. Since technical and scientific specialism makes R&D very expensive, obtaining all the knowledge needed for innovation would be difficult for a single supplier. The evidence showed that, ABB Automation is the giver of the resources in the customer and supplier network and it provides all the resources needed for its customers. The company also wants to improve and compete with its rivals. This implies that, the company is different from competitors which have made the company one of the biggest suppliers in the industry. In support of this is Henderson (1989) who argued that, business survival in a competitive environment depends on strategies of differentiation. He continued by saying that “competitors who make their living in exactly the same way in the same place at the same time are highly unlikely to remain in stable equilibrium” This behavior of ABB Automation in a way makes them have competitive advantage over its rivals which is one of the objectives of the company.

A typical example can be seen in the case of “BEAU”. This company Beau is one of the biggest pulp paper companies in the world. ABB Automation developed relationship with this company to enable them get access to its resources and technologies. That’s, ABB Automation possess these resources and technologies which Beau does have and as a result of this, provides and runs the whole services and maintenance for this company.

In comparing the findings with two previous studies done, it was found out that AstraZeneca and other suppliers creates relationship with customers in order to get access to the latest technologies. These technologies allow the company to improve its innovation process and complete new products. It also develops relationship with customers to get access to skills and resources to supplement its own capabilities. While in contrast, our results revealed that, it is often the other way round. That’s, ABB Automation possesses enough resources and thereby develops relationship in order to enable the customers get access to its resources and technologies.
6.4.3 Access to other Customers and Suppliers

Regarding the argument (see p. 11), supplier and customer relationship allows the supplier to identify some key relationship across the customer and other relationships net. This allows the supplier in the network to be systematically related to a large number of customers and suppliers even though it has only a direct relationship with one or two customers. Blankenburg et al. (1999) supported this argument by emphasizing that, the supplier customer relationship widens the scope of the coordination to include other set of customers and suppliers in a business network. Looking into the findings, ABB Automation does not only have indirect relationship with other customers through their customers but have some other ways of getting in touch with other customers in the network. The company uses networking such as tradeshows, conferences and forums to get access to other customers to share ideas. This means that, other than the company’s customers, the company has its own ways of identifying and expanding its scope to include other set of customers. For example being active participants in tradeshows, forums and conferences enable the company to have face to face interaction with other key customers. This systematically makes ABB Automation relate to a large set of customers both direct and indirectly. Although the company sometimes has some kind of indirect relationship with their customers’ customers but ABB Automation only reacts to these needs if it has something to offer to these customers.

A typical example can be seen in case of “SWEDISH G” and “TRAKIA”. Through the relationship between ABB Automation and MIA which is one of the largest customers of the company, led to the access to Swedish G and Trakia. ABB Automation observed that, it has some electrical products which can be offered to Swedish G. Due to this, ABB Automation thought that, it would be necessary to have relationship with them since the company has something to have to Swedish G.

On the other hand, Trakia produces plastic flooring carpets and their customers are retailers selling carpets. In this case, ABB Automation does not produce carpets and has nothing to offer them. In this case, the company found it irrelevant and waste of resources to get access to Trakia.
6.4.4. To Understand Customers Uncertainties

From the findings about ABB Automation, another reason for developing relationship with the customers is to understand and know their problems. By understanding the customer’s problems, the company would be able to know if it can use previous technologies to develop new products for other customers. The company also wants to understand the future trend of the market needs. As it has been previously proposed (see p. 11), customers’ problems and uncertainties are the first and most relevant basis of the supplier’s offering. This means that, through the relationship, the company is able to identify the problems and uncertainties of the customers. This enables ABB Automation to develop suitable offerings and solutions with previously used technologies to solve the customers’ problems. And if this tends out to be successful, it then becomes a new product which can also be sold to other customers as well.

The proposal continued by stressing that, some of the customer’s problems might be clear whilst others might have complicated problems which they find difficult to define. From the evidence, the company wants to understand the market needs since they want to be number one in each of the segments they are working in. This shows that, ABB Automation develops relationship to help redefine the problems in order to offer better solutions for their customers and even their customers’ customers.

An example can be seen in the case of “GRACIA”. ABB Automation was able to understand the problem of Gracia through discussions. Through this discussion, ABB Automation was able to redefine their problem by using technologies in the steel plant to create new paper with easy access printing. This also led to the development of new product for printing companies thereby expanding the product lines of ABB Automation.

6.5. Adaptation in Supplier Customer Relationship

6.5.1 Adaptation in High involvement Relationships

From the opinion of the leaders, ABB Automation makes specific adaptations for both high and low involvement relationships.
In high involvement relationships, small adaptations with general market value are made on the basic product without considering the cost of adapting. That’s, if the adaptations are minor and can also be sold to other customers, then cost of adapting would not be a barrier. In contrast with this is the argument made in the literature (see p. 14), that, supplier uses its resources to adapt its offerings and operations to suit the requirements of the customers in close relationship due to the commitment and trust. This behavior of ABB Automation means that, it may adapt for close customers based on the usefulness of the adaptation but not on the basis of trust and commitment. That’s, the company does not consider the level of investment made in the establishment of the high involvement relationships in its decisions.

Recall from the argument (see p. 13), adaptations cannot be made for all customers; therefore suppliers should focus on the most rewarding relationships since adaptations are resource intensive. This might be the reason why ABB Automation considers cost in large adaptations on the basic product for high involvement customers. That’s, the company considers these adaptations resource intensive and therefore must be done for customers if the cost is less than the asking price or if it can be used in other relationships.

6.5.2. Adaptation in Low involvement Relationships

As it has been earlier emphasized (see p. 12), the critical dilemma facing suppliers is whether they should adapt for its less important customers and if yes at what level should they adapt. ABB Automation makes adaptation for low relationship customers and the changes made are on services as well as the basic product. Because from the evidence, delivering a project to a customer is adaptation since the services offered differs from one customer to another. Adaptation on the basic product is done with much consideration on cost. This shows that, the problem of adapting in low relationships is something the company deliberates about. That’s, a lot of discussion takes place with these customers on the level of adaptation required on the basic product.

From the discussions in the literature (see p. 14), customers look for solutions to their problems beyond its existing relationship. That is both the supplier and the customer are seeking new relationship. They continued by stressing that, both parties are ready to invest with the aim of learning about each other as well as making adaptations. From the evidence,
adaptations are made for new customers with future potentials. That’s, ABB Automation tries to provide solutions to new customer needs and these are based on its knowledge. Moreover, the evidence showed that, cost and the usefulness of the adaptation in other relationships are considered. In support of this is the emphasis made earlier that (see p. 14), suppliers can adapt for new customer if they can use the same offerings in existing relationships.

In addition, the supplier must also assess the extent to which the cost of any adaptation or development can be recouped in that relationship and in others before adapting. This implies that, ABB Automation evaluate the cost of adapting for specific new customers if it’s the only customer that will ever buy that adaptation. Moreover, the company also considers how the cost can be spread to other customer as well by making standardize adaptations to satisfy the specific customers and at the same time useful in other relationships. This is the reason why the company offers license agreement fees to the customer in whose name the specific adaptation was made by attracting other potential buyers. This also implies that, ABB Automation does not have any ownership advantage on this kind of adaptation. In this way, the cost of the adaptation is spread among different customers and at the same time too serves as a new product for ABB Automation if tends successful.

A typical example of this situation can be found in the case of “SMEC”. One of the reasons why ABB Automation adapted its offering for SMEC was due to the future potentialities of the company. That’s, it’s one of the largest chemical companies in the world and adapting for them will create more business opportunities for ABB Automation. In addition, adapting for SMEC strengthened ABB Automation competitive position by providing a superior product. For ABB Automation to achieve this aim and objectives, it introduced an agreement with SMEC by providing them a license fee if the adapted product is sold to other customers. Secondly, the adaptation was based on cost evaluation since it was specifically made for SMEC. Cost was evaluated against demanding price because SMEC was also a new customer.

Comparing with Hagberg-Andersson (2007) previous studies, ABB automation also makes adaptations within its relationship with potentially committed customers and also is very
selective when dealing with adaptations with its customer base. That’s they are willing to invest in relationships which will be beneficial to both the suppliers and the customers.

However, the authors observed that, what ABB Automation concerns most about in its decision to adapt for both high and low relationship customers is cost. Because, the company makes adaptations for high and low involvement customers who will be willing to pay the demanding price if only they make an order. And if the customer pays the agreed price, he will get the exact changes requested. Furthermore, large adaptations are made for high involvement customers based on the evaluation of cost.

In contrast to this behavior of ABB automation is Ford et al. (2008, p.179) who stressed that, adaptation can only be done in low relationship if the profit outweighs the cost. This shows that, cost shouldn’t be the main factor in a company’s decision in either making small or large adaptations for its high involvement customers due to high interaction, investment and coordination with the supplier. It should rather be based on trust and commitment. However, for low involvement customers, the company decision to evaluate the cost of adapting to the demanding price is in the right direction.
7. CONCLUSION

The purpose of this research was to know the important factors that influence suppliers in developing relationships with its customers. Furthermore, in order to answer and develop this research question, a sub-question was used which was to know the factors suppliers consider in adapting to their customers’ requirements.

The research has shown that ABB Automation forms business network to exchange knowledge and information through discussions with the customers with the aim of conveying best solutions to solve customers’ problems. It has been also found out that establishing relationship for the company is not just buying and selling. This behavior of the company is well supported by the literature.

The supplier customer relationship helps the company to increase its personal contact. ABB Automation uses these personal contacts to connect different activities and resources with the customers in order to develop offering. This shows that, mutual trust is so important for the company. This is in accordance with the emphasis made in the literature.

Moreover, ABB Automation does not often engage in low involvement relationships due to the nature of the company’s products which require high involvement relationship with the customer. Therefore, the company does not evaluate the customers based on future potential return but it is the company’s product which determines the development of the relationship. This is supported by the literature but a bit contrast on how high involvement relationships are formed.

Profit is important for the company but not the main reason for developing relationship with the customers. The main reason is getting access to the market and understands the market needs. Therefore we can conclude that the company places much importance on customers and market needs rather than profit. Moreover, future potential of customers is another factor ABB Automation considers in developing relationship with customers. This attitude of the company is in line with the argument made in the literature.

When it comes to access to technologies and resources, ABB Automation has enough resources, technology and necessary skills for developing their offerings and services. As a
result of this, the company does not develop relationship with its customers to get access to their resources and technologies but rather create relationships in order to enable customers get access to the company’s resources and technology. Consequently, it does not develop relationship neither for R&D purposes because of having all the knowledge needed for innovation. This is in contrast with the literature but can be seen as a competitive strategy which is supported by Henderson (1989)

Moreover, ABB Automation does not only have indirect relationship with other customers through their customers but have some other ways of getting in touch with other customers in the network, such as using tradeshows, conferences and forums. Therefore we can conclude that, other than the company’s customers, the company has its own ways of identifying and expanding its scope to include other set of customers. But ABB Automation reacts to these kinds of indirect relationships only when it has something to offer to these customers. This behavior is in congruence with the emphasis made in the literature.

Another reason why ABB Automation develops relationships with the customers is to understand and identify the problems and uncertainties of the customers. This enables the company to develop suitable offerings and solutions to solve the problems of their customers and even their customer’s customers. This attitude of ABB Automation is well supported by the arguments stressed in the literature.

Concerning adaptation, ABB Automation makes adaptations for both high and low involvement relationships. The company makes small adaptations on the basic products for high involvement customers with no consideration on trust and commitment. This small adaptation can only be made if it can be used in other relationships. On the other hand, the company evaluates cost versus price if the adaptation requested by the customer is large and cannot be used in other relationships. This is in contrast with the explanations and emphasis made in the literature.

Services are the general adaptations that take place for low relationship customers without considering cost. However, evaluation on cost of adaptation on the basic product is highly considered by the company. Therefore, the authors can conclude that adaptations in low
relationship are based on the cost and the asking price. This attitude of the company is in line with what was stressed in the literature.

ABB also makes adaptations for new customers with future potentials and it is based on cost as well as the usefulness of the adaptation in other relationships. For these reasons, the company sometimes makes standardized adaptations in order to satisfy the specific customers and also with the intention of selling to other customers with the aim of reducing cost. This behavior is in conformance with the arguments made in the literature.

7.1 Theoretical Contribution and Suggestion for future Research

This research study will propose a new definition of adaptation which will stress on the mental side of adaptation which is always invisible.

As Brennan and Turnbull, (1995) emphasized, adaptation is hard to define and many researchers have even refrained from making an attempt to define it. From different research conducted, most based the definition of adaptation on different results from different situations. For this reason, this research will propose a new definition of adaptation instead of the ones defined earlier. The new definition is been stated below:

*Adaptations should be defined as the repulsive or protective changes, undertaken by one or two individuals to meet the requirements of the other.*

In repulsive way, adaptation can bring displeasure or resentment to either the supplier or customer and sometimes even both. In a protective way, adaptations are made to just prevent the relationship between the two parties although the benefits might be limited. The described modifications made about the new definition of adaptation is mental and not purely a behavior as exhibited by the definition of Brennan and Turnbull (1998). That is, adaptation should be a thought about a certain studied behavior. In addition, this new definition concentrates more on the results of the adaptation process than previous definitions. The changes in this new definition of adaptation can be considered as mental and unobservable as compared to behavior and observable by Brennan and Turnbull (1998, pp. 135-136).
A well developed supplier customer relationship provides lots of essential benefits for both parties. That’s, every customer relationship forms part of the supplier’s portfolio and must be managed with a totality. Because each relationship in the portfolio differ in terms of problems it solves and the contribution it provides. But most suppliers today place less importance in managing these relationships. For instance, many theories have highlighted the various benefits of relationship management to both suppliers but most companies fail to implement these management strategies. From the survey conducted by Bain and Co (2001) revealed that, only 35% of the companies surveyed used customer relationship management. Yu (2001) also observed in the USA that, only 29% of companies had established customer relationship management system. This clearly exhibits the lack of interest in relationship management.

For these reasons, the authors would like to propose for future researchers to look into how ABB Automation manages its customer relationship portfolio. For example, how does the company manage adaptation, distance between the companies, develop and demonstrate commitment and trust, manage interdependency and power as well as conflicts and communication. They should also look into the customer’s side of the relationship development as well. For instance, they should consider researching about the reasons why customers also develop relationship with suppliers.

### 7.2 Recommendation for the Company

It was observed from the findings that, ABB automation makes adaptation for customers in high involvement relationship but much evaluation is done on cost in both small and large adaptations. However, Ford et al. (2008,) proposed that, adaptation for customers in high relationship shouldn’t be based on cost but trust and commitment due to the high investment made in developing and building the relationship. For this reason, the authors would like to suggest to ABB Automation to reconsider making adaptations for close customers irrespective of the kind of changes made and should not be based on cost. That’s adaptation should be made for these customers base on the investment, trust and commitment.
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9 APPENDIXES

9.1 Interview Questions with ABB Automotive Process

- What’s the company’s position about the formation of business network?
- What kinds of activities take place within the network of ABB Automotive customers? Is the company independent or dependent on its network?
- Do you think it’s really necessary for the company to develop relationship with its customer base in Sweden?
- If yes to question 3, then what kind of relationship does the company develop with the customers?
- What factors does the company take into consideration in developing close and distant relationship with the customers?
- Which of the customers in the company networks can be described as close or distant?
- Is profit the main reasons for creating relationship with customers?
- If no then what might be some of the reasons why ABB Automotive develops relationship with its customers?
- Is there any direct relationship between the company’s customers’ customers and suppliers on the network? If no, then how does the company get access to some of these customers and suppliers if the need arises?
- How does the company identify the customers’ problems? (Ask about the kind of problems faced by the customers)
- Does the company make some changes and modifications to the customers offer? Which kinds of adaptations are made?
- How does the company make changes in weak and strong relationships with the customers?
- Does the company make modification for new customers? If yes, what factors does ABB Automotive consider before embarking on such changes? (Hint: Cost, Profit)
- Does the company make standardized changes to suit all customers or makes changes to suit a specific customer?
9.2 Questionnaire

- Is the formation of business network important to ABB Automation?
  Yes ☐
  No ☐

- Does the company depend on each other in the network of customer relationship?
  Yes ☐
  No ☐

- What kind of relationship does the company have with its customers?
  Low ☐
  High ☐
  Both ☐

  Comments

- What factors does ABB Automation consider in developing relationship with the customer? (Tick all the answers that apply)
  Profit ☐
  Technology ☐
  Resources ☐
  Access to Customers’ customers ☐
  Understand customer’s problems ☐

  Comments

- Does the company do adaptations for customers in low relationship?
  Yes ☐
  No ☐

  Comments

- Does the company do adaptations for customers in high relationship?
  Yes ☐
  No ☐

  Comments
• Does the company do adaptations for new customers?
  Yes  
  No  
  Comments

• What factor does the company consider in making adaptation for both low and high involvement relationships?

  Trust  
  Commitment  
  Comments

Thank You!