RELATIONSHIP ENDING IN THE CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT

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Abstract

The paper discusses the problems of fading and ending of business relationships in the sphere of professional services i.e. the phase of a relationship dissolution resulting from a client's or a firm's decision to end it. This phase includes, among others, determining the causes of the relationship dissolution and drawing conclusions for the future in order to prevent losing the most lucrative clients. Both in theory and in practice, relationship ending is perceived as something stretched in time i.e. consisting of numerous stages and influenced by numerous factors and events. The aim of the present paper is an analysis of the modern literature on the causes and mechanisms of business relationships termination in the sphere of professional services as well as indicating some possibilities of a more effective and efficient management of these relations.

ISTOTA KOŃCZENIA RELACJI W ŚWIETLE KONCEPCJI ZARZĄDZANIA ZWIĄZKAMI Z KLIENTEM

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Słowa kluczowe: kończenie relacji, koncepcja zarządzania związkami z klientem (Customer Relationship Management – CRM), usługi profesjonalne.

Abstrakt

Artykuł dotyczy problematyki wyciszania i kończenia relacji biznesowych w sferze usług profesjonalnych, tj. fazy kończenia relacji na skutek decyzji klienta lub firmy o ich przerwaniu. Faza ta obejmuje m.in. ustalenie przyczyn kończenia relacji i wyciągnięcie wniosków na przyszłość, aby nie dopuścić do utraty najbardziej rentownych klientów. Zarówno w teorii, jak i praktyce, kończenie relacji postrzega się jako rozciągnięte w czasie, tzn. takie, które mają wiele etapów i na które wpływa wiele czynników i zdarzeń. Celem artykułu jest analiza współczesnej literatury dotyczącej przyczyn i sposobów kończenia relacji biznesowych w sferze usług profesjonalnych oraz wskazanie możliwości bardziej efektywnego i skutecznego zarządzania tymi relacjami.

Introduction

Taking into consideration the constantly growing turbulence of the business environment, it can be claimed that there exists the necessity of application of an adequate strategy for its better operation. The strategy of satisfaction might be one of such strategies, not only customer satisfaction but also the satisfaction of all the interested entities - stakeholders (among others in ANDRUSZKIEWICZ et al. 2014). In the present study we are going to regard business partners as the interested entities, the ones to whom the strategy, the operational processes and business functions are to be adjusted so that the objectives of maintaining and making the relationship more attractive may be realized and long-term profits – optimalized. Thus, the point is, among others, to distinguish and individualize an approach to a particular business partner and accomodate the firm's offer to his needs. It is, therefore, a continual process during which firms establish long-term bonds – relations with their potential and current business partners which are to result in achievement of common objectives. The life cycle of a relationship with business partners consists of phases, the final one of which is the relationship termination phase. In this phase the partners decide whether or not to continue their relationship, basing on their experiences so far.

Processes of communication in professional services marketing differ from actions performed on the quickly-rotating markets of goods. In the case of professional services, the partner looks most frequently for assistance in problem solving, in searching and developing the paths of growth and in getting objective consultancy, and different partners may have different expectations with regard to what they see as advantage in connection with the same kind of service. It is therefore quite important to recognize what is crucial for a given partner.

The problem of relationship exit appeared already in the works of Hirschman and Dwyer in 1970s and 80s. This subject matter started to be explored more deeply only in 2nd half of 1990s, and the relationship dissolution theory started to be developed in the Nordic school of relational marketing, where it is still under study. In the Polish literature of the subject these problems are undertaken only in a fragmentary manner, and they usually refer to the studies conducted abroad. This subject constitutes a research area still explored, important both from the point of view of the theory of relational management and from the practical perspective. In the literature devoted to it there are still only few studies based on empirical results concerning the causes and ways of business relations termination in the sphere of professional services. The aim of this article is an analysis of the modern literature devoted to identification of the causes and ways of business relationships termination in the sphere of professional services, insight into which might allow to work out more effective and efficient methods of these relations management.

Theory on Relation Ending

The problem of relationship ending has existed in the professional literature for over 40 years. It appeared for the first time in the works of HIRSHMAN (1970), where it is still perceived in terms of point, as the moment of client exit from the relationship. A dozen or so years later DWYER, SHUR and OH (1987, pp. 19, 20) described the relationship dissolution at its final stage as a process, emphasising the need of gettomg more knowledge about it. In the course of a lush development of relational marketing academics and practitioners focused mainly on establishing and developing relationships. It is reflected in the fact that only very rarely have the definitions of relational marketing included in their scope a reference to their termination. The definition of GRÖNROOS (1997, p. 407) is a notable exception here. Among marketing operations the author has listed identification, creation, maintaining, improvement and, if necessary, termination of a relationship with clients and other partners. Optimal realisation of the process of exiting the relationship in the first place diminishes the losses resulting from separation for both the partners and the environment. It also leaves the door open for future restoration of the cooperation.

In the overseas literature there are many terms used to refer to the phenomenon of relationship ending. Most frequently the following ones are used: relationship ending, relationship dissolution, relationship termination and relationship exit, and they are often used interchangeably. In the Polish language it is acceptable to refer to the phenomenon in question as the phenomenon of customer resignation, customer exit, customer switching behaviour or loss of a customer. In these notions there is a definite tendency to treat the termination of a relationship as a point, making the possibility of relationship ending dependent only on the decision of the customer. Thus, they do not include the possibility of full management of these relations by both parties. In Poland these problems are still treated in a fragmentary manner, in comparison to the volume of studies published on the subject abroad.

The fact that there can be found numerous definitions of the phomenon constitutes the evidence of the multiplicity of approaches. The authoress of one of the mildest definitions is Steward, who claims (with respect to a relationship with an individual customer) that it is: "an economic phenomenon of a customer ceasing patronage of a particular supplier" (STEWARD 1998, p. 235). The definition of business relationship formulated by Tahtinen represents the other extreme. It reads as follows: "A business relationship is dissolved when all the activity links are broken and no resource ties or actor bonds exist between the comapnies. [...] A business relationship has entered a dissolution phase when at least one patner no longer views the relationship a continuing or the interdependency has otherwise critically decreased" (TÄHTINEN 2001, p. 46). In the face of the breach of all the bonds linking the enterprises, none of the parties expects their restoration in the future.

The development of the theory of relationship ending illustrates, among others, the transition from the perspective of perception of the phenomenon in terms of point to the perspective of a process approach. It means that relationship ending is perceived as stretched in time i.e. as an entity composed of numerous stages and influenced by numerous factors and events. Process approach has been adopted from the psychological research on human relationship dissolution conducted mainly by Steve Duck at the beginning of the 1980s. In economic sciences the widest description of business relationship dissolution has been presented by Jaana TÄHTINEN (2001, pp. 56–69), who has distinguished the stages of: assessment, decision-making, dyadic communication, disengagement, network communication, and aftermath. She has also inlcuded in the process the restoration of the relationship stage in the case when the exiting partner has decided to repair the inadequacies of the relation. Moreover, it should be noted here that neither the process nor its stages are linear in character. Considering the great number of people involved in it and the variety of tasks realised there simultaneously, it can run along more than one path (TAHTINEN 2002, p. 332).

The range of relation ending is treated in an equally varied manner. The widely documented approach of Tahtinen concerned the death of relationship; in practice, however, such overall and irrevocable termination happens very rarely; more frequently, the relation becomes faded, sleeping or simply neglected. HAJDUK-KASPROWICZ (2013, p. 34), when studying business relations in professional services, distinguished 3 ranges of their termination, taking into consideration the state of ties between the partners and, in the first place, the change of volume of the current cooperation and willingness to restore it in the future. Thus, there are such terminations:

- full (activity links, resources ties and actor bonds are cut with no intention to revive),

- remaining or residual (cooperation between partners is limited to the extent allowed by the earlier-made contracts and law; restoration of cooperation is not taken into consideration),

- partial (some participants from the party commissioning on behalf of the customer have cut cooperation completely with at least some executors on the part of the service provider, and they definitely do not intend to restore it.) In literature also other kinds of relationship terminations are distinguished. HOCUTT (1998, p. 196) divides them according to the source of the termination decision (customer's, seller's or mutual decision). Ross (1999, pp. 77, 78) observes that processes of relationship ending may eventually be open or not to the prospect of cooperation restoration. FINALLY, HALINEN and TÄHTINEN (2002, pp. 166–168) note that the type of relationship from before the initiation of the termination decision may affect the way of its termination, from natural ending, through predetermined, chosen, to forced and desired.

The processes themselves were divided with regard to:

- process length (long, short) and reaction strength (strong, weak) (ROOS, STRANDVIK 1997, pp. 629, 630),

- kinds of trigger, commitment level, character of the process, revocability (MICHALSKI 2004, pp. 985–994),

– interdependency in a relationship, power balance, relationship formality, relationship structure (TÄHTINEN et al. 2007, pp. 238–242),

- kind of precipitating events and factors, level of risk for success of projects conducted with a partner, using voice strategy, number of management levels of the involved actors, desire to reactivate the relationship, state of interpersonal ties, activity links and resources ties, including relationship energy (cooperation attractiveness, inter-partner trust and involvement in relationship) (HAJDUK-KASPROWICZ 2013, pp. 169–171).

Numerous factors and events have influence on the course of the relationship termination process. Among the numerous ways of their division found in the literature, the most exhausting one is probably that proposed by TÄHTINEN (2001). She has distinguished:

- factors predisposing to exit (they have existed from the very beginning of the relationship, increasing its vulnerability to termination),

- precipitating events (they appear in the course of relationship and provoke and strengthen the desire to end it),

- attenuating factors and events (they attenuate the impact of the predisposing and precipitating factors and events in a way constituting barriers to relationship ending).

Among the predisposing factors the strongest ones may be such as: multitude of alternative partners on the market, incompatibility of goals, characters, cultural differences or divergent directions of activity. Among the factors and events triggering and strengthening the process, the following may transpire to be the key ones: unsuccessful cooperation, staff changes, changes of the conditions of cooperation. Attenuating factors and events may be connected among others to the positive outcomes of efforts undertaken in order to improve the relationship, the high costs of relation exit or, finally, the liabilities following from the contracts binding the partners. Besides, events and factors influencing the process of relationship ending may be divided in yet another manner:

- actors-related (related to persons and organizations influencing the relationship directly and indirectly),

- relationship-related,

- task-related,

- related to the environment and network, in which the partners and the relationship itself exist.

Among all those factors and events the most turbulent ones are those related to the participants. It is the people, their reactions, the activities undertaken by them and their decisions that determine the course of the process of relationship ending most decisively. ALAJOUTSIJÄRVI et al. (2000, p. 1274), basing on the scientific achievements of psychologists concerning human relationships dissolution, have elaborated on a typology of various strategies of quitting the business partner, assumed by the parties of the relationship. Two dimensions have been taken into consideration: communication (direct, indirect), and self- and other-orientation. Indirect communication is a withdrawal from cooperation without any explicit signal of the intention to leave. The other-oriented, out of consideration for the partner, will at most declare a weakening of cooperation, or gradually decrease the volume or frequency of the exchange. The self-oriented will rather try to frighten the partner away, increasing cooperation costs, or will freeze the relationship atmosphere. They may also declare their intention to guit to other participants of the network of relationships e.g. to the media - rather than to the directly involved party. Direct communication is expressed in clear messages concerning the problems occurring in the relationship, the need of change in the relationship, and even an irrevocably coming termination. And in such kind of communication the other-oriented seek understanding, they care for the interests of the other party in the course of the process, thus diminishing the damages resulting from the breach of cooperation. The self-oriented may suddenly change their behaviour, try to impose their own vision of events, and even put the blame for the exit on the partner. Such atmosphere provokes conflicts, which has a detrimental effect on the relationship, on all the partners, and not unfrequently also on the network itself. According to ALAJOUTSIJÄRVI et al. (2000, p. 1282), one shoud strive each time at a "beautiful ending" i.e such an ending during which no harm is done to the leaving party, to the abandoned party or to the environment in which the relationship has been functioning so far.

Significance of Business Relation Dissolution for Enterprises

Having the skill of establishing long-term and stable relationships is necessary for growth of an enterprise. And the ability to end a relationship proves some maturity, as it reflects the awareness of the fact that:

- there exist situations when a relationship is developing in the direction of termination regardless of any attempts undertaken to save it (EGAN 2008, p. 64, GUMMESSON 2008, p. 264). PING (1999, p. 238), when conducting research in the branch of computer equipment sales, in which relationships with the main supplier are typically long-term (44% of the tested relationships lasted for 10 years and more), observed that 7% of enterprises are more or less determined to neglect the relation with their main supplier (leading to its weakening, and eventually to ending), 19% are planning a relationship termination;

– it may be agoogidea to end the relations with customers or other partners which adversely affect the business. For instance, the research of various branches conducted by HELM et al. (2006, p. 374) has shown that 17% of enterprises estimate that less than half of their relationships with customers are profitable, and the subsequent 21% of enterprises estimate that they incur losses from 25–50% of their relationships).

Nowadays the fact of a relationship termination is perceived negatively by managers as it is usually asociated with failure (loss of a customer – an important partner). So they admit to it reluctantly and do not want to make it worse. Very often the enterprise treats such information as confidential, which makes studying this issue difficult. Nevertheless, the insight into it brings a lot of profits, including:

- diagnosing the partner's intention to leave,

- identification of the reasons, allowing for their elimination or at least minimalization, and thus strengthening the existing relationships,

– proper management of the process of relationship ending with a business partner (unassisted initiation of relationship termination, minimalization of the negative outcomes for the partners and relational network, increasing the openness of the relationship to renovation or reactivation), getting to know the market and the competitors basing on ex-business partners' migrations directions.

The very fact of relationship dissolution may have both positive and negative outcomes. The positive aspects may include such situations when it is synonymous with the fulfilment of the originally assumed objectives e.g. in a joint venture (PICK 2010, pp. 98, 99). It can also be advantageous to release resources and create opportunities of their alternative use in other projects, and with other partners, including customers. Additionally, the change may

become a motivator to improve the performance (TÄHTINEN 2002, p. 350). The analysis of the experiences will, in the first place, allow to deal with similar situations better in the future (HAVILA et al. 2001, pp. 14, 15). A range of negative outcomes may have very far-reaching consequences, the more so, the less skillfully the process of relationship ending will be handled. And as HOLMLUND and HOBBS (2009, pp. 282, 283) have emphasised, managers are usually not able to identify all the losses resulting from an ended relationship. Its participants are at risk of a stress, especially if it is happening in the atmosphere of conflict, of defeat, in which they lose energy. If they change their job as a result, it may largely impair the possibility of the relationship restoration in the future (TÄHTINEN et al. 2007, p. 233). In the case when attempts have been made to adapt to the conditions of cooperation with the exiting partner, a reorganization may prove to be necessary. Besides, it will be necessary to start search for a new partner, which will involve entering into negotiations and incur costs put on the new cooperation (TÄHTINEN, VAALAND 2006, pp. 15–17). Breaking a relationship with a customer results in a detriment to turnovers – the bigger, the more profitable the customer has been (TÄHTINEN 2002, p. 334). ALAJOUTSIJÄRVI et al. (2000, pp. 1284, 1285) have also drawn attention to the fact that a relationship dissolution may result in the firm's bad reputation in the environment. An enterprise which quits its partners may expect distrust, or even fear on the part of its current partners. It may also have to face difficulties in establishing new relations if it is perceived as "unstable in commitments". Such situations may be used by competitors in order to frighten away and take over both the customers and the suppliers. In extreme cases, an unfortunate relationship termination may become a subject for the media, which will adversely affect the enterprise's overall image.

Taking into consideration the big number of possible negative consequences of a non-optimal relationship dissolution for all the entities involved, it is essential not only to establish and foster relationships, but also to look more closely at the manner in which they are ended in a given enterprise. For there exists a need of strategical planning of the involved operationst. The "traditional" approach does not take this aspect into account. It manifests itself in typical questions posed by managers concerning the possibility of increasing the market share or the volume of sales. The self-imposing, natural answer here is to increase the number of customers. The fact that enterprises sometimes monitor retention indices as part of relational management and that they also undertake efforts to recognise the reasons of the customer leaving is a positive phenomenon. Unfortunately, the phenomenon of relationship ending is perceived too often in terms of point, which limits its understanding. The change of the traditional approach through paying attention to the inevitability of that final stage of a relationship and to the necessity of managing it, especially with respect to the customer, should express itself in the efforts to find answers to the following questions (HAVILA et al. 2001, p. 14):

- How and why does the enterprise lose its customers?

- How, if ever, should the enterprise actively end relationships?

- How can the enterprise predict which relationships are about to fade? How can the segments of customers important for the enterprise be formed so that their inclinations to leave might be easier cognised?

- What are the financial consequences of the current retention index and how does the current management of relationship ending affect it?

- How does the enterprise identify terminated relationhips and what do ex-customers do to satisfy their needs better? Does the enterprise know to which competing enterprise the client has moved?

- In what manner, if ever, should the enterprise contact its former clients?

- What is happening inside the enterprise when the relationship is ending or has ended?

- Does the enterprise know which competitor the leaving customers are considering as their potential new service provider? How can that be established and to what ends?

Moreover, relational management should also include other business partners, or even wider groups of interested entities.

Relationship termination management constitutes quite a challenge. According to the research (HOLMLUND, HOBBS (2009, p. 272) managers usually find it difficult to carry out this process. In enterprises there is a shortage of adequate procedures or at least some general strategies of dealing with the problem. Therefore, the decision-makers usually base their actions on their own experiences and intuition. They are not ready to share their experiences with other people in the firm and find it difficult to assess the losses of their firm generated as a result of a relation termination. Even when there exist reasonable motives inclining to initiate the process of a given relation dissolution, this process is termed as calling for courage, and is very often accompanied with a feeling of personal defeat. Such pressure gets enhanced if the number of the firm's clients is small and the cost of establishing new cooperation – high.

GEERSBRO and RITTER (2013, pp. 44–46) have identified 3 competences connected with relation ending:

- identification of undesirable clients (relation with whom is not profitable, in which respect one should take into consideration not only financial critieria but also indirect ones, such as: innovation, access to information, motivation),

- ability to select the best time to end the relationship,

- realisation of the process.

The more precisely are the customers undesirable for the enterprise defined, the more developed the above competences are. That is why routine supporting operations in relation ending have been elaborated on for managers, and they are rewarded for dissolving relations with unwanted clients.

Conclusion

The study of the course of business relationships ending processes and in particular the search for the factors which constitute reasons for business partners' resignation as well as for those which encourage a continuation of the relationhips in question in spite of the fact that a change of the service provider is being taken into consideration, is important both from the theoretical and practical point of view. A dissolution of a relation between two firms means a process during which all the resources ties or the bonds resulting from once commonly conducted activity of the cooperating firms get limited, tending to stop completely as far as possible. At the same time, in the course of the process interpersonal contacts at the level of these firms' representatives fade and at least one of or all the parties do not expect this relationship restoration in the future. However, a complete termination of these relationships in this shape happens extremely rarely on the market. More often the relationship becomes sleeping or is simply neglected. In the case of professional services, relational management is particularly important due to the key role played in it by people, which means a long-term interaction engaging both parties (which makes the relationhip an integral part of service evaluation), and the fact that they are individualized from the very beginning. It affects the intensity and complex structure of the relation. The knowledge of the most important factors determining the partner's decision to terminate the relation and of the variety of its ending processes, including relationship dissolution by the service receiver, allows those managing this type of cooperation to consciously create the conditions favouring their effective continuation, preventing at the same time their termination, or to conclude the cooperation in a manner open to its restoration in the future and and helpful in minimalization of the losses involved on the part of participants.

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