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Sustained Monopolistic Business Relationships: An Interdisciplinary Case

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Business-to-business relationships within sustained monopolies, such as those within UK defence procurement, have received scant attention by management researchers. This is unusual because under these market circumstances there appear to be few incentives to achieve mutually beneficial outcomes despite their strategic policy importance. This paper argues that an understanding of the monopolistic environment using a transaction cost economics theoretical framework and supply-chain management, relationship marketing and transaction cost economics concepts provides an innovative, inter-disciplinarity approach to solving this problem as well as testing aspects of these disciplines empirically in a novel area. This paper describes the results from a substantial research project to test this hypothesis in the UK defence procurement situation. It reveals a number of key dynamics within the sustained monopolistic relationships surveyed and suggests considerable potential for further research.

Introduction

This paper addresses an under-researched area of business-to-business relationships, namely the relationship which exists where one or both parties has a monopoly of supply or demand (Fishwick, 1993). Many theories of buyer-seller relationships have discussed in general terms the concept of structural bonds and opportunism, but not adequately applied them to the extreme situation of monopoly buyer and monopoly seller relationships. We first summarize the difficulties faced by the UK Ministry of Defence (MoD) and its major industrial suppliers in moving away from traditional, adversarial relationships whilst facing increasingly monopolistic business dealings. We then justify the use of a transaction cost economics (TCE) model as a theoretical lens through which to view the problem. Interdisciplinarity is a radically different approach that combines two or more disciplines to produce an outcome that is more than the sum of the parts (Starkey & Madan, 2001). Because the nature of the business is supply-chain management (SCM), relationship marketing (RM) provides an effective framework for describing business-to-business relationships and TCE describes the contractual arrangements of procurement, this paper argues that concepts from these fields can be used to address the problems identified when viewed through the TCE theoretical lens. We describe an exploratory research programme within the sea, land and air elements of the UK defence procurement (DP) environment and present findings which not only expand our knowledge of the business area in question but also provide a better understanding of the relational dynamics of sustained monopolies.

UK defence procurement

Historically, the relationship between the UK MoD and the UK defence industries has been adversarial. On one hand, with estimated equipment procurement expenditure of £10 162 million in 2000/01 (DASA, 2001), the UK MoD has immense power as British industry's largest single customer. It can thus determine the 'size, structure, conduct, ownership and performance of the industry through pricing, profitability, technical progress and exports' (Hartley, 1998). On the other hand, industry is a major exporter and contributor to the UK's balance of payments, its production for foreign sales reduces UK MoD's equipment unit costs, it develops strategically important technologies such as aero engines and is a significant employer in UK industrial areas. However, the major UK defence companies are virtual domestic monopolies and can team with foreign companies to reduce the choice of supplier. The UK MoD/industrial supplier relationship is thus dominated by a monopoly market in which each side wields considerable power but where lack of trust and the option to leave often reduces efficiency, increases costs and offers little incentive to cooperate (Humphries and Wilding, 2001c; Palmer, 2001; Parker and Hartley 1997). Against this background, the UK Government stated that its *Smart Acquisition* initiative depended heavily on partnership in order to reap the benefits of competition and collaboration (Directorate of Policy Planning, 1999). It is this challenging and potentially mutually-exclusive business objective that drives a need for research in this area.

The monopoly environment

In our search of the literature for a suitable model with which to examine the relationship conditions within a monopoly, we first considered two relationship power perspectives. Michael Porter's (1980) five forces model of competitive advantage considers business relationships are characterised by a short-term orientation, arms-length competition and the exercise of market power (Rugman and D'Cruz, 2000). However, although participants may aim to achieve market dominance by limiting competition through the creation of barriers to entry, this does not accurately represent UK DP monopolies where equally powerful 'partners' can be locked in a relationship from which neither can escape. Alternatively Andrew Cox (2000) sees the combination of resource utility and scarcity creating a power regime in which the involved parties will employ adversarial/non-adversarial and arms-length/collaborative arrangements depending on their relative power positions as shown in the matrix at Figure 1.

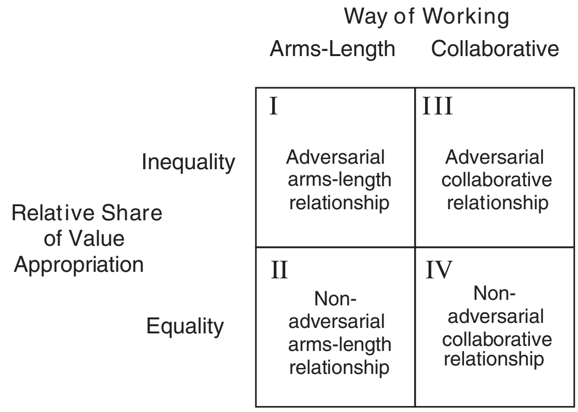

Figure 1. Relation Power Analysis (Cox 2000) Note: Reproduced by kind permission of MCB, Copyright (2002)

Quadrant I suggests limited information, resource sharing and the buyer/supplier aiming to obtain a greater share of the exchange value. In quadrant II a long-term, balanced relationship is sought where there is little sharing of specific assets but both parties gain some strategic benefit. In quadrant III, the parties work closely together and share sensitive information and costly resources. However, the dominant partner intends to take a disproportionate share of the returns. In quadrant IV, both sides enjoy a close, collaborative, equal arrangement, often called a 'partnership'. This approach offers a clear perspective on the appropriate use of power within a business relationship however, in a sustained monopoly, where neither party has choice over the selection of relationship strategy and where equality of power really means equally disempowered, the relationship power analysis matrix does not provide a robust framework for extending thinking on long-term, monopoly relationships.

In a review of the contracting and TCE literatures, we noted that when the cost of managing the risk associated with human factors such as opportunism became too high, the market could break down and force a firm to internalize the business, in effect creating an internal monopoly (Faulkner & de Rond, 2000). However, TCE generally treats monopoly as a short-term, highly undesirable market aberration that would normally be dealt with by government antitrust regulation (Williamson, 1996). We have nevertheless

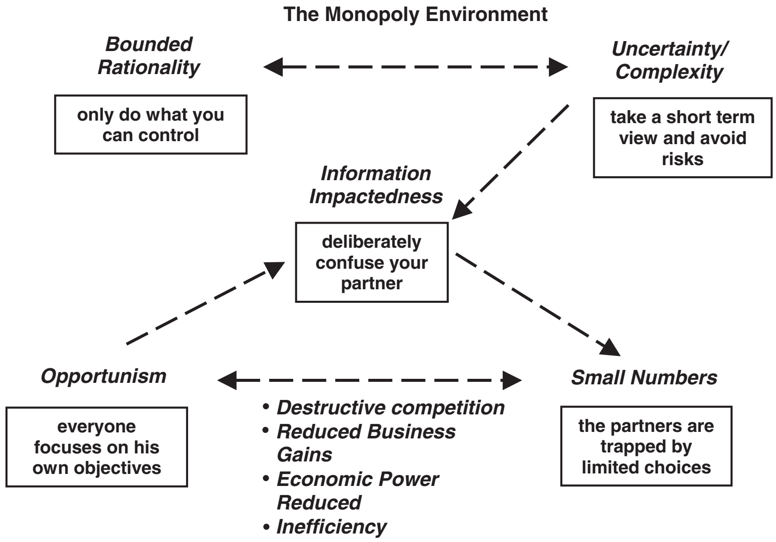

Figure 2. Economic organization failure framework (Adapted with kind permission of The Free Press, Simon & Schuster Inc, Copyright (2003), from Williamson, 1975)

adapted Oliver Williamson's (1975) economic organization failure framework in Figure 2 to describe the environment that creates and sustains a monopolistic relationship rather as a causal model and, borne in mind that for the majority of major contracts in UK DP, monopoly is considered to be in the public interest (Fishwick, 1993).

Although both sides need to rely on maintaining close relationships over the supply of highly specialized goods (Grant, 1995), inevitably they are open to opportunistic behaviour (self-interest seeking with guile (Williamson, 1975)). In 1985 the Levene reforms ended MoD's 'cosy relationship' with industry (Hartley, 1998) and introduced uncertainty and complexity into the market (Humphries and Wilding, 2000). In seeking to obtain public expenditure value for money the UK MoD attempts to drive down industry's profit to a 'reasonable' level and in turn the contractor attempts to inflate the view of his costs to maximize his rate of return. This deliberate obfuscation is information impactedness (selective information disclosures and distortions which are difficult or expensive to verify at the time and which undermine the durability of contract arrangements) (Liston-Heyes, 1995). The consequences are that industry loses its incentive to perform better and, the UK MoD reduces the resources available to industry that might have been used to fund important R&D. This is bounded rationality where personal capacity to rationalize complexity limits performance to the adequate rather than the optimum (Simon, 1957). The sum effect is an adversarial relationship without the freedom to look to the market for alternatives (Parker and Hartley, 1997) and the formation of a small numbers/ monopoly situation. Although the authors can find no empirical research using Williamson's (1975) framework in similar circumstances, it seems to have face validity in the UK DP situation (Humphries and Wilding, 2001c). We have therefore decided to use it as the theoretical basis on which to investigate this unusual situation. We now turn to a critical review of the theoretical fields; SCM, RM and TCE, to determine the extent to which their business-to-business relational concepts can provide a means of understanding the dynamics within sustained monopolistic conditions and especially those found within UK MoD DP.

Relationships within the supply chain

SCM is viewed as an integrative, proactive approach to manage the total flow of a distribution channel to the ultimate customer (Matthyssens and Van den Bulte, 1994). Increased customer-service reliability and reduced inventory (Boddy, Macbeth and Wagner, 2000) aim to lower uncertainty and lower costs (Bechtel & Jayaranth, 1997; Cooper and Ellram, 1993; Lamming, 1993). SCM depends upon cooperative relationships throughout the supply chain in order to achieve benefits for all participants (Stevens, 1989) and this involves closer relationships between members which include trust, commitment and collaboration (Spekman, Kamauff and Myhr 1998). The literature contains a great deal of holistic advice on how this should be achieved but, in practice it is generally operationalized as the integration of chains of suppliers to better satisfy customers (Christopher, 1997; Peck and Jüttner, 2000). Although suppliers recognize the need to integrate with their customers, empirical research on modelling and studying end-to-end supply chain relationships is limited (Bectel and Jayaram, 1997; Cooper *et al.* 1997). It is also apparent that full SCM implementation is not being achieved for other reasons (Spekman, Kamauff and Myhr 1998). The importance of long-term partnering relationships to focusing on complex problem solving (Boddy, Macbeth and Wagner 2000; Hulme, 1997) is acknowledged. The need to base them on openness, shared risks and rewards that leverage the skills of each partner to achieve competitive performance not achieved by the individual (Lambert, Emelhainz and Gardner 1996) is also recognized. However, firms are still taking a short-term view which tends them towards adversarial relationships (Braithwaite, 1998) and the development of partnering relationships is being obstructed by poor communications allied to a reluctance to accept attitudinal change (Anscombe and Kearney, 1994). Nevertheless, the obligational nature of these arrangements to overcome opportunistic temptations is evident (Ellram and Edis, 1996) as is the importance of achieving good business-to-business relationships through partnering as a foundation for achieving the operational benefits of SCM (Cooper *et al.*, 1997). In conclusion, SCM theory appears to be well known by academia and business, but research is limited on practical implementation. Furthermore, this research has concentrated on the private sector and sheds no light on monopolistic supply-chain relationships of the UK DP type (Humphries and Wilding, 2001c).

Relationships within relationship marketing

Relationships marketing (RM) aims to establish, develop and maintain successful relational exchanges, which involves designing and negotiating strategic partnerships with vendors and technology partners through which the firm deploys its distinctive competencies to serve market opportunities (Webster, 1992). The literature thus covers a very wide field and tends to lack consistency and also in some areas, depth (Kakabadse and Kakabadse, 2000). Research has tended to concentrate on vendor/retailer rather than vendor/end-customer relationships (Ganesan, 1994) and this has resulted in limited modelling of complete relationship chains (McDonald, Milman and Rogers 1997; Rousseau *et al.*, 1998). Despite these drawbacks RM provides comprehensive views of the various styles used by firms and individuals when they do business with each other – the social relations that shape and define the nature of synergistic interactions between firms (Madhok, 2000). Organizationally, the complexity of business relationships within networks from dyadic (Anderson Håkansson and Johanson 1994) through interactionist (Metcalf, Frear and Krishnan 1992) to the marriage analogy (Dwyer, Schurr and Oh 1987; Tuten and Urban, 2001) and key account management (McDonald, Milman and Rogers 1997) as firms seek closer dealings with partners to secure reduced uncertainty, managed dependence, exchange efficiency and social satisfaction (Gummesson, 1999; Gundlach and Murphy, 1993) is clearly and usefully explained. There is also an extensive literature on important behavioural variables which provide valuable guidance on improving business relationships (Evans and Berman, 2001). These include trust (Goleman, 1998; Kramer, 1999), commitment (Moorman, Zaltman and Deshpandle 1992; Morgan and Hunt, 1994; Naude & Buttle, 2000; Wilson, 1995), cooperative, coordinating and collaborative (C^3 behaviour) (Axelrod, 1984; Humphries and Wilding, 2001c; Oliver, 1990; Stern & Reve, 1980), long-term orientation (Oliver, 1990), power (Ganesan, 1994; Gundlach, 1993; Gummesson, 1999; Hatch, 1997; Tuten and Urban, 2001), adaptation (Metcalf, Frear amd Krishnan 1992), interdependence (Lewin and Johnston, 1997; Mohr and Spekman, 1994) and communication (Morgan and Hunt, 1994; Moss Kanter, 1994; Tuten and Urban, 2001).

However, the literature reviewed concentrates on commercial companies within 'normal' markets and provides little insight into monopolistic

UK DP relationships (Humphries and Wilding, 2001c).

Relationships within transaction cost economics

Transaction cost economics draws upon law, economics and organization theory as base disciplines and thinking has been dominated by Oliver Williamson's seminal ideas in the field (Gundlach and Murphy, 1993; Williamson, 1975, 1979, 1996). TCE concentrates on the need to economize on the cost of transactions, including negotiating and enforcing contracts and internal control and management overheads (Faulkner and de Rond, 2000; Palmer, 2001). Individuals are 'economic actors' and theories focus on adopting appropriate forms of governance to minimize the risks associated with opportunistic behaviour (Hill, 1980, 2000; Macneil, 1980; Madhok, 2000; Nooteboom, 1999). Relationship-building includes investments in specific assets (unrecoverables such as time and resources) which generate mutual dependence and serve as hostages against opportunism. Williamson (1996) believed that a far-sighted, 'calculative' approach to commercial contracting was required that relied on cost-effective contractual safeguards rather than trust. Although TCE is not a dynamic theory (Besanko, Dranove and Shanley 2000), it ignores the relational aspects of cooperation such as trust which evolve over time and change the nature of the transactions themselves (Faulkner and de Rond, 2000; Nooteboom, 1999) and academics have moved away in the last ten years as part of a general trend away from transactional business dealings, TCE continues to provide valid theories on why firms make or buy (Pessali and Fernandez, 1999). However, because of the difficulties of modelling such fundamental aspects of economic exchange there is scant empirical research that integrates TCE concepts (Ghoshal and Moran, 1996; Palmer, 2001) and especially in the UK DP business sector (Parker and Hartley, 1997).

In trying to understand the exchange motivations within UK DP using TCE theory it is possible to explain small numbers/monopoly markets (Fishwick, 1993) using the organization failure framework in Figure 2 (Williamson, 1975) but only so far as they represent short-term, unnatural phenomena or governance choices within public utilities (Palmer, 2001; Williamson, 1996). In the stable monopoly situation which prevails in UK DP, it appears that contrary to the view that extremes of market conditions will inevitably result in pressures to escape (Hirschman, 1970; Parker and Hartley, 1997; Williamson, 1975), the result is an impasse where neither side has the power or the motivation to improve the relationship (Parker and Hartley, 1997). In summary, TCE theory is valid for normal markets and short-term illegal monopolies and falls short where sustained legal monopolies are concerned.

The research project

The development of SCM, RM and TCE theories appears to have mirrored the approach of the UK MoD and its industrial suppliers such that both see the need for strategic interaction at a relational rather than a transactional level (Directorate of Policy Planning, 1999). Moreover, they understand they must put aside their traditional approach based upon the 'power game' (Kumar, 1996) and embrace partnering principles based upon trust (Watson, 1999). However, implementing these concepts appears to be extremely difficult, potentially because of the monopolistic aspects of their situation. The literature describes a complex suite of business and relationship variables that might provides some clear insights into the improvement of monopolistic relationships within UK DP as long as one is wary of those aspects based upon assumptions of free market choice. These are illustrated in Figure 3, where we have juxtaposed a selection of business relationship 'antidotes' to the essentially negative factors in Figure 2. Given the traditionally unsuccessful nature of UK DP relationships, we adopted the positive versions of the following five dimensions as a device to pre-dispose the research subjects to consider their situation from a more objective perspective:

- bounded rationality – relationship development enabling joint creativity;
- uncertainty/complexity – relationship stability creating a framework for success;
- information impactedness – communication creating an environment for business;

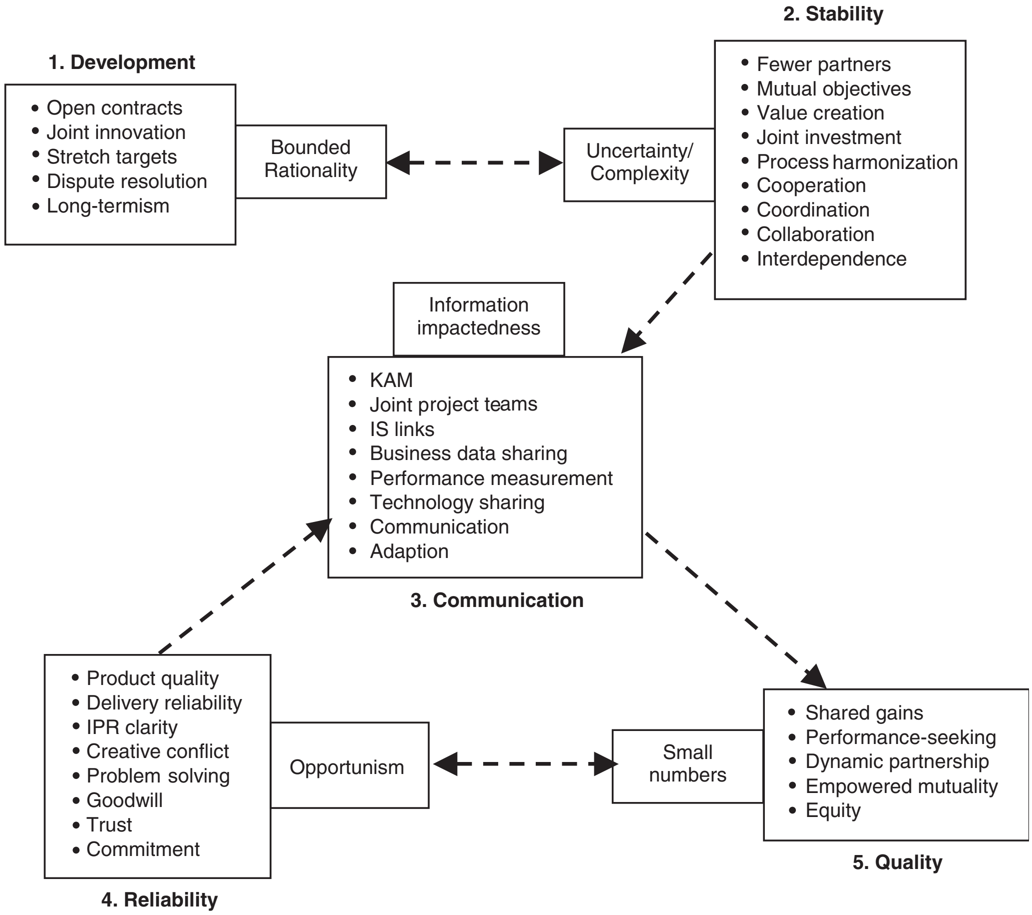

Figure 3. A Conceptual Framework for Research – utilizing Williamson's (1975) economic failure framework with relationship success factors

- opportunism – relationship reliability creating an effective business arrangement;
- small numbers – relationship quality creating the incentive to work together.

which form a testable, theoretical framework to use as a basis of an exploratory research strategy to determine if it is possible to obtain an understanding of the monopolistic relationships within UK DP using the theoretical lens of Williamson's (1975) organization failure framework and descriptors from SCM, RM and TCE relational and behavioural factors.

A triangulated data-capture approach was designed using both quantitative (questionnaire) and qualitative (semi-structured interview) methods, which aimed to measure perceptions from both relationship sides (Ganesan, 1994; Jick, 1979). Operationalization of the research instrument concentrated on the five dimensions of the theoretical model in Figure 3 using a 5-point Likert scale (Youngman, 1984) with questions grounded in the literature. The dimensions and 37 questions which achieved a satisfactory 0.7977 level of Coefficient Alpha in the study (Bowman and Ambrosini, 1997) are shown in Appendix 1. The semi-structured interview design involved following-up the dominant quantitative results by capturing 'why' information from senior managers for each dimension of the relationship in question i.e. what were the key factors that resulted in success or failure? By this additional means it was intended to obtain the richness of perceptions needed to gain insight into the subtleties and cultural depth of the business problem. Time and resource constraints limited the data capture programme to a self-selected census of 54 monopolistic relationships representing £575.8m annual spend (approximately one quarter of the total) within the sea, land and air business units within the defence logistic organization. A total of 629 valid questionnaires were returned, and 700 key points were recorded from 112 interviews. Because of the MoD status of the first author, careful attention was paid to ensure that an independent stance was maintained and strict impartiality and confidentiality in the handling of data was exercised.

Conclusions from the statistical results

The high-level quantitative results shown in Figure 4 (the averaged questionnaire satisfaction scores per dimension) revealed that contrary to expectations the essentially negative theoretical organization failure framework, there was an overall success rating of 57%.

Only one dimension – opportunism (49%) – was negative. The other dimensions – bounded rationality (59%), uncertainty/complexity (51%), information impactedness (61%) and small numbers (66%) – were positive. This pattern of results broken down by business unit shown in Figure 5 was reflected in 77.7% of the relationships surveyed and thus indicates a common set of characteristics across the researched UK DP business relationships.

It can thus be concluded that within the selected business environment overall, positive features from the selected theoretical fields outweighed the negative aspects and a predictive pattern of results was evident. Nevertheless, the negative aspects could clearly be seen to emanate from the monopoly environment. The results of overlaying the statistical data with the qualitative data (interview key points) are described next together with the consequential theoretical deductions.

Implications for supply chain management theory

The research results found that generally, despite the forced partnership monopolistic situation, the process efficiency aims of SCM were prevalent. But, although considerable efforts were being devoted to improving SCM performance, in concert with Spekman, Kamauff and Myhr (1998) commercial sector findings, successfully implemented examples were few. Moreover, difficulties in achieving effective SCM implementation could be traced to the normal, commercial difficulties surrounding order-book performance,

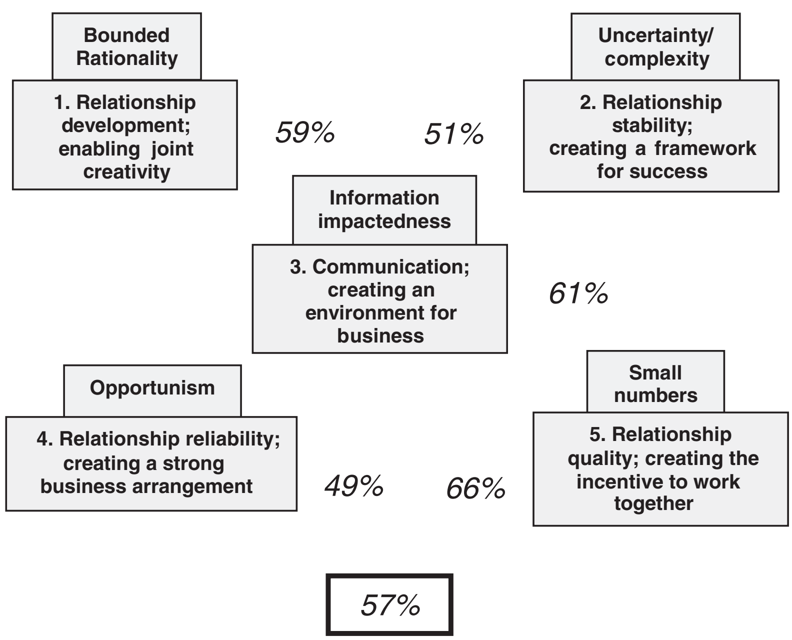

Figure 4. Overall conceptual framework results by dimension

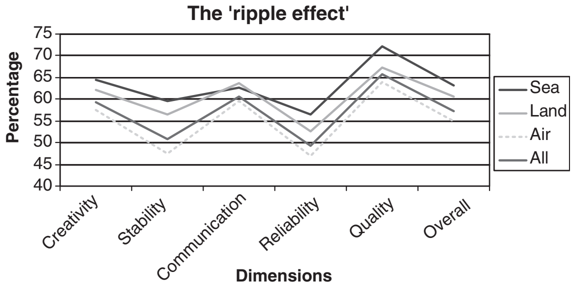

Figure 5. Comparison of Overall Business Unit Result Patterns

joint objectives and service-level systems (Anscombe and Kearney, 1994; Boddy, Macbeth and Wagner 2000; Braithwaite, 1998; Humphries and Wilding, 2001c; Lamming, 1993; Spekman, Kamauff and Myhr 1998; Tompkins, 2000).

However, negative behaviour symptomatic of the theoretical monopoly environment was also clearly discernible. This included deliberate withholding of supply chain information, insular, non-integrative practices, commercial opportunism, unrealistic performance expectations and un-cooperative product strategies. It was strongly evident that endemic DP environmental factors such as old, unreliable products, obsolescence, staff and organizational upheavals, poor end-customer visibility and lack of investment in modern procedures and systems accentuated managers' frustrations as a result of the lack of freedom of action available within the monopoly. These frustrations then promoted the negative behaviours implied by the theoretical framework. This situation can be illustrated in Figure 6 when Lambert, Emmelhainz and Gardner's (1996) partnering process model is speculatively modified to provide a monopolistic perspective.

Under the monopolistic situation, the partners have no choice in the arrangement and depending on the degree of negativity affecting the drivers and facilitators, will through the feedback loop, potentially generate a self-reinforcing, low-quality relationship. We thus conclude that the use of Williamson's (1975) organization failure framework as a model when matched to SCM relational concepts has enabled new insights into sustained monopolistic business relationships to be revealed.

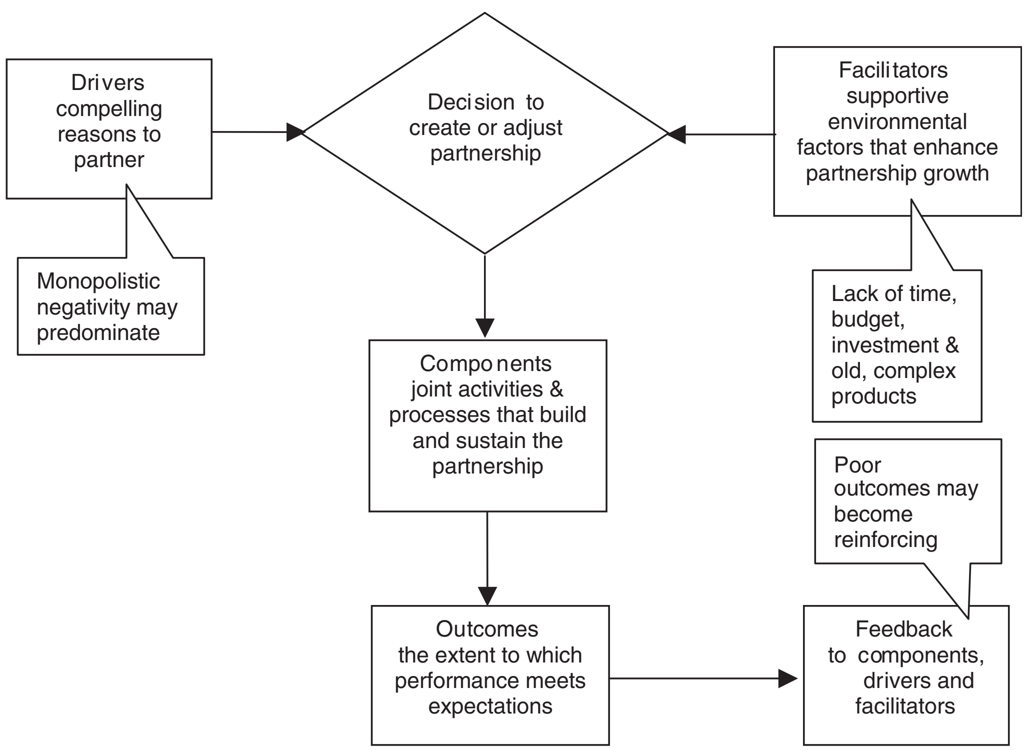

Figure 6. The monopolistic partnering process (Adapted with kind permission of The International Logistics Research Institute, Copyright (2002), from Lambert, Emmelhainz and Gardner, 1996)

Implications for relationship marketing theory

The research results found that in the businesses surveyed discrete market transactions had generally been displaced by closer, long-term strategic relationships through purposeful cooperation, shared compatible goals and seeking mutual benefit (Dyer and Chu, 2000; McDonald, Milman and Rogers 1997; Mohr and Spekman, 1994). Furthermore, efforts had been made to forge improved relationships of a dyadic nature (Anderson, Håkansson and Johanson 1994; Dwyer, Schurr and Oh 1987; Metcalf, Frear and Krishnan 1992; Tuten and Urbann, 2001). However, it was found that the lack of network dynamics due to the monopoly environment had often reduced the effectiveness of attempts to discover 'common ground' on which to establish 'embeddedness' and provided a lack of incentive to dispel adversarial practices (Humphries and Wilding, 2001c). The marriage analogy (Gundlach and Murphy, 1993; Gummesson, 1999) has been dismissed as imprecise and misleading but, in the UK DP forced dyadic relationships, a much stronger case seems possible for its relevance, although a key limitation is the impossibility of 'divorce'. The use of key accounts managers (McDonald, Milman and Rogers, 1997) was almost universal, although their success was dependent on personal and cultural factors.

The overwhelming majority of respondents placed strong emphasis on personal relationships ('hitting it off') and culture-matching ('relating to the way the other side do things') on the growth of trust (Gulati, 1995; Moorman, Zaltman and Deshpande, 1992; Moss Kanter, 1994; Palmer, 2001). This counters the enlightened, self-interest approach (Faulkner, 2000; Goleman, 1998; Kumar, 1996; Wilson, 1995). The central importance of commitment and trust to the stability and productiveness of DP business-to-business relationships (Faulkner and de Rond, 2000; Frow, 2001; Morgan and Hunt, 1994; Sheth and Sharma, 1997) was also underlined. Excellent long-term commercial arrangements, frequent, interactive, productive communications and constructive conflict that supported repeated cycles of exchange, risk-taking and successful fulfilment of expectations were observed. These appeared to strengthen the willingness of parties to rely upon each other (Eisenhardt, Kahwajy and Bourgeoise 1997; Goleman, 1998; Lewin and Johnston, 1997; Oliver, 1990; Palmer, 2001). However, opportunistic behaviour such as adversarial bidding, inflexible and unduly bureaucratic commercial practices, unwillingness to share proprietary data and uncaring use of power which clearly undermined both trust and commitment were also detected. C^3 Behaviour, adaption and interdependence were particularly important components in relationship-building investment (Doney and Cannon, 1997; Madhok, 2000; Moorman, Zaltman and Deshpande, 1992; Rugman and D'Cruz, 2000; Sheth & Sharma, 1997; Stern and Reve, 1980; Wilson, 1995) but their effectiveness reduced when the sincerity of the other party's intentions was doubted. Finally, environmental factors such as lack of long-term, stable funding for projects and investment in efficient business systems seemed to exacerbate managers' negative reactions to a lack of freedom to manoeuvre within their monopolistic situation.

An illustration that summarizes the potential impact of monopoly on trust and commitment is posed in a modified Morgan and Hunts (1994) commitment-trust theory, shown in Figure 7.

The addition of these negative factors, where it is impossible for the supplier to disengage, might make the attainment of the model's positive outcomes rather more difficult to achieve and they illustrate the greater range of positive and negative inputs that potentially affect monopolistic business relationships.

Implications for transaction cost economics theory

Within UK DP it is possible to envisage the situation in Figure 8 below where both parties become locked in a 'deadly embrace', where economic power is lacking, where destructive 'competition' prevents the realization of benefits and from which there is no escape.

However, when considering the research findings dimension by dimension from Figure 4, it is evident that although negative aspects of Williamson's (1975) organization failure framework were observed, almost equally converse factors were present.

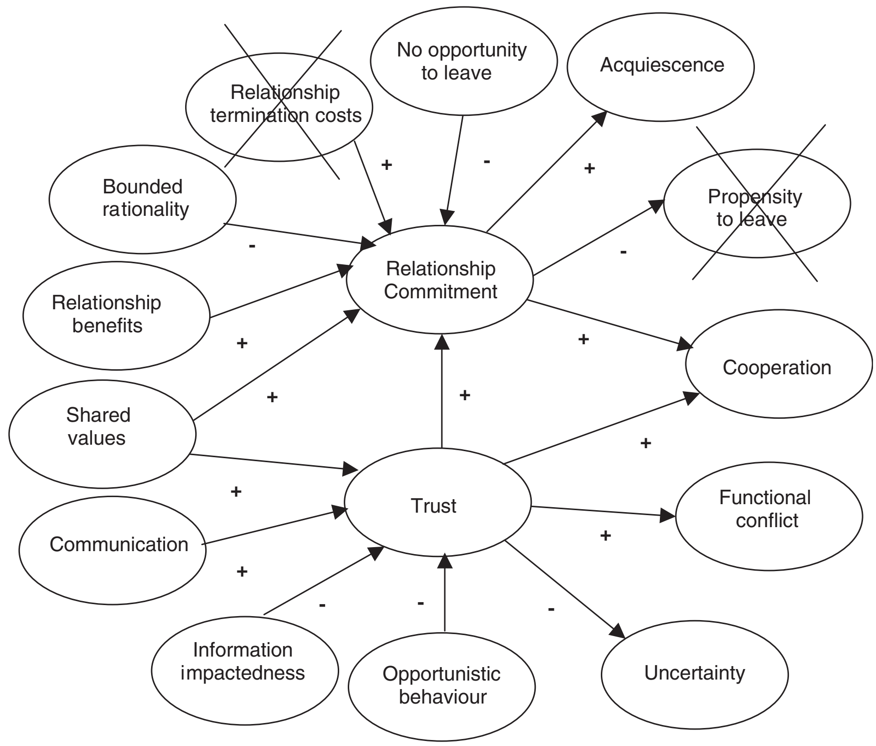

Figure 7. The commitment-trust theory with possible monopoly components Note: (Adapted with kind permission of American Marketing Assoc, Copyright (2002), from Morgan and Hunt, 1994)

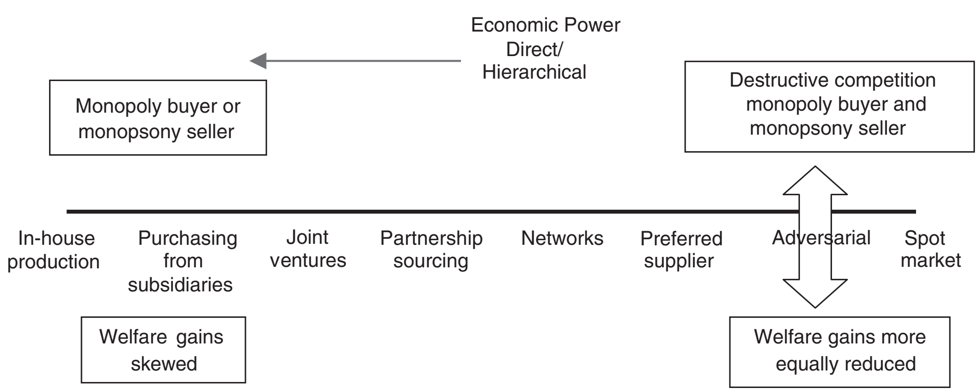

Figure 8. The Procurement Continuum – Monopoly Buyer and Monopsony Seller (Adapted with kind permission of Elsevier Science, Copyright (2002), from Parker and Hartley, 1997)

Bounded rationality (59%)

Examples of bounded rationality (Simon, 1957) concerning a lack of determination to set and observe mutually agreed performance standards and unwillingness to invest in specific relationship-building assets such as joint objective-setting and teamworking were observed (Ganesan, 1994). Nevertheless, creative approaches such as open contracts, joint innovation, ensuring disputes were resolved quickly and fairly and taking a long-term view of the relationship were also detected (Beamish and Banks, 1987; Cooper and Ellram, 1993; Van de Ven and Walker, 1984).

Uncertainty/complexity (51%)

Opportunistic, short-termist behaviour such as confusing cheapest for value for money (Humphries and Wilding, 2001a; Liston-Heyes, 1985) and lack of relationship-developing actions such as joint objective-setting were observed. These reduced relationship stability and the creation of a framework for successful business (Peck and Jüttner, 2000). The highly idiosyncratic nature of the business, an imbalance in power positions and reduced interdependence because of few credible commitments were also noted (Cooper *et al*. 1997; Madhok, 2000). On the other hand, the need for clear, joint objectives and cooperation as a means of achieving interdependence and a reduction of costly governance measures were recognized by both sides (Beamish and Banks, 1987; Faulkner and De Rond, 2000; Moss Kanter, 1994; Spekman, Kumauff and Myhr 1998).

Information impactedness (61%)

Problems of disclosure and implied power balance over proprietary information were detected (Sheth and Sharma, 1997). Additionally, reticence over joint performance measurement and a lack of contract fulfilment arrangements were marked by a calculative approach to trust (Hill, 1980; Matthyssens, 1994). Nevertheless, free, frequent information sharing and the investment in specific resources such as shared data environments were evident (Faulkner and de Rond, 2000; Harrison, 1990; Mohr and Spekman, 1994; Morgan and Hunt, 1994).

Opportunism (49%)

Information impactedness resulting from selective and deliberate withholding of highly specific, proprietary and supply-chain data as well as opportunism resulting in poor service delivery (Christopher, 1997; Harrison, 1990) and unsatisfactory commercial practices were found under this dimension (Hill, 1990; Noordewier, John and Nevin, 1990). Buyers especially accused sellers of abusing their monopoly position and behaving opportunistically by failing to display goodwill, trust and commitment (Beamish and Banks, 1987; Faulkner and de Rond, 2000; Palmer, 2001; Williamson, 1979) to provide an adequate service. Conversely, interdependence achieved through the credible commitment of specific, relationship-building assets such as stable work force and product/process development and joint problem-solving arrangements appeared to strengthen relationships by creating a more reliable business infrastructure (Argyres and Porter Liebskind, 1999; Doz and Baburoglu, 2000; Goleman, 1998; Hatch, 1997; Hulme, 1997).

Small numbers (66%)

The failure of contractual governance to maintain equity (Watson, 1999; Zajac and Olsen, 1993) and relationships free of fear of 'imprisonment' (Eisenhardt, Kahwajy and Bourgeoise 1997; Kramer, 1999) indicated that archetypal negative relationship features from Williamson's (1975) framework are eminently possible in real life. However, many instances of long-termism and interdependence marked by cooperation and investments in relationship-promoting resources were also in evidence (Cooper and Gardner, 1993). Moreover, respondents realized the difficulties inherent in the business and the monopoly situation and were actively striving to turn round the unsatisfactory position because they felt that 'some win' was better than 'all lose' (Axelrod, 1984; Granovetter, 1985; Ouchi, 1980). This was contrary to the view that within the failed market there is little incentive to cooperate, control costs or improve output quality (Hirschman, 1970; Williamson, 1996).

Theory conclusions and overall contribution to knowledge

The SCM, RM and TCE fields provide a useful basis for understanding business-to-business relationships. They all describe a trend away from transactional to relational business dealings, but explanations fall short where sustained monopolies are concerned. Because of the difficulties of modelling such fundamental aspects of economic exchange there is scant empirical research that integrates TCE concepts (Ghoshal and Moran, 1996; Palmer, 2001) and especially in the UK DP business sector (Parker and Hartley, 1997). Moreover, this research rarely covers both buyer and supplier perspectives (Ghoshal & Moran, 1996). This exploratory research, which appears

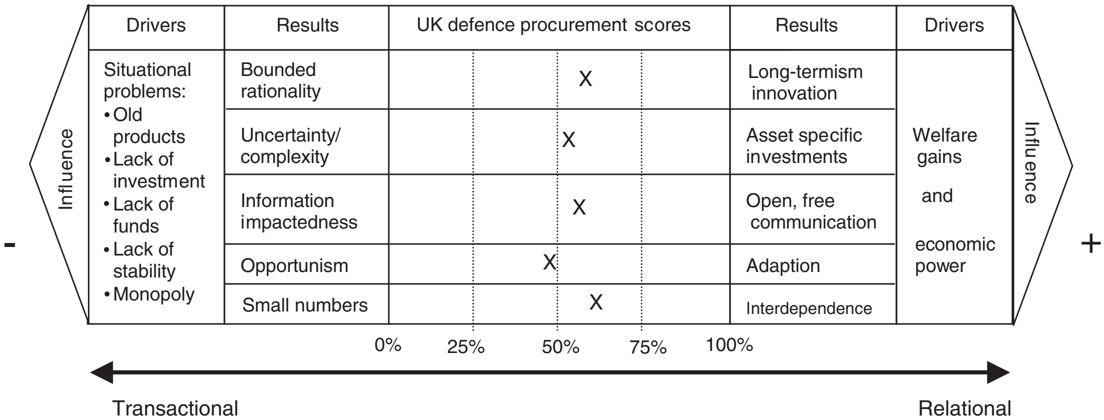

Figure 9. UK DP monopolistic relationship influences

to be the only empirical study on a significant sample of stable monopoly relationships, has thus extended these boundaries. The main finding is that contrary to expectations, a surprising diversity of positive, business-driven behaviours was present within the monopolistic UK DP environment as well as more adverse monopolistic dynamics. As predicted by the model, lack of investment in specific assets such as work force stability and product/process development, the use of inadequate performance measures, opportunistically providing poor goods and services and using proprietary information as a weapon, reduced the chances of achieving interdependence and equitable outcomes. On the other hand despite the adverse monopolistic influences, strong counterbalancing, positive business drivers were able to produce examples of relationship-building, specific investments, cooperative behaviour, open communications and a desire to reduce the burden of governance through more equitable, long-term arrangements.

The research findings suggest a different view of the adopted theoretical framework in Figure 3. Figure 9 summarizes this position. At either end of the transactional/relational spectrum there are positive and negative attracting influences, which drive behavioural results that influence the relationships.

The research quantitative findings have been superimposed on this model to illustrate its use and demonstrate the knowledge contribution of this research. In effect it reveals a very interesting and complex set of business relational dynamics and opens up the possibility of many interesting opportunities for further research. Finally, the interdisciplinarity approach to this research using three disciplines has produced transcendent insights that would not be perceived by the individual disciplines working alone (Starkey and Madan, 2001).

Implications for managers

Within UK DP the pattern of results indicates that manager needs to accept that the monopoly environment will inevitably reduce relationship quality and examining relationships from both sides, using this information in an open, constructive manner will facilitate understanding and therefore improvement. However, reducing the impact of environmental influences that, due to the limited availability of options for action, cause frustration will also limit negative behaviours. The research results indicate that paying particular attention to synchronizing objectives and confidence-building as well as service and product delivery, lowering joint costs and risks and measures to support the growth of trust. Finally, the research approach clearly suggests the benefit of taking a strategic approach to measuring the quality of business-to-business relationships so that the best and worst can be identified and why, and targetted action can be taken and progress may be tracked (Humphries and Wilding, 2001b).

Limitations

This research has used a narrow view through a specific theoretical model lens to achieve a specified understanding of monopolistic UK DP business relationships and necessarily the approach has been high level due to the exploratory nature of the research. It is thus essential to view the value of the research only through this very narrow gap and to accept that other models and research designs will need to be used in order to triangulate its findings and assess its wider generalizability.

Implications for further research

This research has been limited in its scope and depth due to time and resources. It has nevertheless, for the first time achieved a cross-relationship (MoD/industry) perspective of a significant sample of sustained monopoly businesses. This 'cracking open the door' suggests that further research would be interesting to academics and useful to the increasingly globalized DP business as well as other business areas with monopolistic characteristics. The subject area could potentially offer rich opportunities for longitudinal studies, proactive approaches such as action and experimental research as well as the use of alternative theoretical fields. We also recommend that that none should be viewed in isolation since many overlap and converge and, provide the chance to carry out integrated research programmes.

A final word

The literature suggests that the little known about the relationship dynamics within monopolies presupposes negative outcomes. This research has shown that although behavioural characteristics can be recognized in the literature, a spectrum of positive and negative results were exposed and the main dynamics could be understood. The contribution to knowledge plus the inherent limitations of the study have suggested an agenda for future research which it is hoped will advance the SCM, RM and TCE fields and provide greater perspectives into the workings of monopolistic business-to-business relationships.

Appendix 1 – Questionnaire dimensions and questions

1. ***Creativity***: promoting quality, innovation and long-term approach by encouraging high performance.

a. The relationship encourages the achievement of high performance by both parties ie. reliable equipment, on-time delivery, good forecasts.
b. The relationship encourages us to be innovative in the way we do business.
c. Performance measurement is used to raise standards.
d. Disputes & problems are resolved: 'quickly'.
e. Disputes & problems are resolved: 'fairly'.
f. The other party is reliable and consistent in dealing with us.
g. The other party is dedicated to making our business a success.
h. When an unexpected problem arises, both parties would rather work out a solution than hold each other to the original contract terms.

2. ***Stability***: synchronisation of objectives and confidence building.

a. The other party displays a sound, strategic understanding of our business.
b. The objectives of both parties are clearly stated.
c. The objectives of both parties are fully compatible.
d. Both parties co-operate wholeheartedly.
e. The relationship provides a dynamic business environment within which both parties can seek increasing rewards.
f. I have complete confidence in the intentions of the other party.

3. ***Communication***: shared data environment, openness, common performance measures, frequent interaction.

a. Where the other party has proprietary information that could improve the performance of the joint business, it is freely available.
b. We would welcome a shared data environment where planning, technical and pricing information are made freely available.

c. We understand the information requirements of all participants in the support chain from sub-contractors to end-user.
d. Exchange of information in this relationship takes place frequently and informally – not just according to specified agreement.
e. Objective performance measurement is an important part of this relationship.
f. We are aware of the performance requirements for all participants in the support chain from sub-contractors to end-user.
g. We provide the other party with regular information including long-range forecasts to enable him to do his business better.

4 ***Reliability***: concentrating on service and product delivery, lowering joint costs and risks, building up trust.

a. The quality of the contract outputs ie. spares/repairs/services, is entirely satisfactory.
b. The quality of service delivery ie. delivery times, billing, payment, is entirely satisfactory.
c. The relationship is characterised by a continually improving quality ethos.
d. Problems are solved in a joint, open, constructive manner.
e. Such is the goodwill in the relationship, the other party would willingly put himself out to adapt to our changing requirements.
f. We trust the other party to act in our best interests.
g. The responsibility for making sure the relationship works is shared jointly.
h. The other party provides us with useful cost reduction and quality improvement ideas.
i. The other party is always totally open and honest with us.
j. The other party always does what he says he will do.

5. ***Quality***: creating a win-win relationship in which each side is delighted to be a part.

a. The gains from this relationship are equally shared between both parties.
b. We do not feel imprisoned within the current relationship.
c. We are willing to invest more ie. money, time, information, effort, in the current relationship.
d. We are happy that our future is bound to the success of our relationship partner.
e. We feel totally committed to this relationship.
f. The other party is genuinely concerned that our business succeeds.
g. Both sides are working to improve this relationship.

Scoring:
Strongly agree – 4
Tend to agree – 3
Tend to disagree – 2
Strongly disagree – 1
Insufficient knowledge – 0

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