

THE GATEWAY TO SUCCESSFUL BUSINESS RELATIONSHIPS IN THE 21st CENTURY

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I sommeren 1993 stod jeg for første gang i León, en by hvis befolkning jeg knap nok havde kendskab til, men som senere skulle vise sig at være stedet hvor jeg fandt mit staated. Udgangspunktet for mit ophold var paa forhaand blevet fastlagt via Aarhus International Business School (Danmark) og Universitet i León. Jeg havde det store privilegium at være en af de første Erasmus elever, som skulle studere paa Universitet og mine forventninger var naturligvis store. Gennem mit 2 aarige forlob som studerende stiftede jeg bekendskab med mange laerere fra de forskellige Fakulteter. Alle involverede parter har vaeret en stor stoette for mig, og er det stadig. Jeg skylder en saerlig stor tak til Professor Luis Echegaray der underviste mig i Marketing og gjorde det muligt for mig at forstaa Marketingsverdenen. Denne artikel er dedikeret til ham, hans minde som for evigt vil staa i baade min og andre Erasmus studerendes hukommelse. Hans navn vil bestaa for evigt.

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En el verano de 1993 llegué por vez primera a León, una ciudad cuya gente apenas conocía pero que más tarde se convertiría en mi lugar de residencia. El punto de partida de mi estancia había sido definido de antemano a través de Aarhus International Business School (Dinamarca) y de la Universidad de León. Tuve el enorme privilegio de ser uno de los primeros alumnos Erasmus que estuvieron estudiando en la Universidad de León y por supuestos mis expectativas eran enormes. Durante mi estancia como estudiante entre 1993-1995 mantuve contacto diario con muchos Profesores de diferentes Facultades. Todos ellos han sido un gran apoyo para

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mí y aún lo siguen siendo. Debo un especial agradecimiento al Profesor Luis Echegaray, quién me enseñó Marketing y me hizo posible comprender las bases del mundo empresarial. Este artículo está dedicado a él; a su memoria y a recordar que en mi mente y en la de otros muchos estudiantes Erasmus su nombre vivirá para siempre.

In the summer of 1993 I stood for the first time in Leon, a city whose people I hardly knew, but which later proved to be the place where I found my learnings. The starting point of my stay had already been defined through the Aarhus International Business School (Denmark) and the University of Leon. I had the great privilege to be one of the first Erasmus students who were studying at the University and of course my expectations were naturally high. During my stay as a student from 1993-1995 I was in contact on a daily basis with many Professors from the different Faculties. Everyone involved has been a great support for me and still are. I owe a special thanks to Professor Luis Echegaray, who taught me in Marketing and enabled me to understand the marketing world. This article is dedicated to him, to his memory. He will live not only in my mind but also in the mind of the rest of my Erasmus colleagues. His name liveth for evermore.

Resumen

La empresa de hoy en día necesita un nuevo concepto porque el negocio entendido como tal no se limita sólo al trabajo. La conciencia medioambiental está explotando, la desconfianza pública en los negocios se sitúa a una altura histórica, muchos empleados y clientes están desconectados de las compañías en las que trabajan o en las que compran, los proveedores se sienten exprimidos, las comunidades a menudo se organizan para mantenerse a distancia de ciertas empresas. La disciplina empresarial está cambiando rápidamente hoy, y requiere nuevas clases de herramientas para mejorar y mantener las relaciones de negocios. Herramientas como las redes empresariales, la innovación, formación, y la comprensión de las diferentes culturas son algunas de ellas. Hoy en día las multinacionales se establecen en todo el mundo (globalización) para reducir gastos y aumentar los beneficios. Sectores como centros de llamada, industrias del automóvil, empresas de informática, industrias textiles, empresas farmacéuticas, solamente para mencionar algunos de ellos. Al mismo tiempo las multinacionales mezclan trabajadores con habilidades diferentes como el idioma, la cultura, la cultura de negocio etc. y esto lo convierte en un gran desafío de cara a la obtención del éxito en relaciones de negocio.

Palabras clave: *Relaciones empresariales, sesión de desarrollo, innovación, redes empresariales.*

Abstract

Business today needs new concepts, because business as usual is just not working anymore. Environmental consciousness is exploding, public distrust of business is at a historic high level, many employees and customers are disconnected from the companies

they work for or buy from; suppliers feel squeezed, communities often organize to keep certain businesses out. Business discipline is changing rapidly today, and demands new kinds of tools to improve and maintain business relationships. Tools as networking, innovation, coaching staff, understanding different cultures are a part of this.

Nowadays multinationals pup up all over the world (globalisation) in order to reduce costs and increase benefits. Sectors such as call centers, car industries, IT companies, textile industry, pharmacy companies, just to mention some of them.

At the same time the multinationals mix employees with different skills such as language, culture, business culture etc. and this makes it into a great challenge to obtain success in business relationships.

Keywords: *Business relationships, development session, innovation, business networking.*

1. Introduction

The background of this article is to focus on 4 common subjects in the business world and to determine if a company, a self-employed or even a public institution are ready to face everyday challenges and complete with basic success in their business relationships.

No doubt that we are in the era of business relations, innovation, networking and working across borders.

The examples I am describing in this article can both be used in B2B as well as in B2C. I am basing the article on these tools introduced in the beginning of 1990's which have changed traditional business rules and values. The purpose of this article is therefore to focus on new business implementations from both an academic point of view and an up to date business practice. What can be done from a management point of view to gain new and solid relationships with their business partners?

Keys to successful business relationships

Building a successful business relationship does not happen overnight. Both trust

and credibility need to be earned. Building trust also means that you are willing and prepared to risk being completely open and honest with your clients, customers and employees who will then be able to perceive you as a real person with both strengths and weaknesses. When it comes to business, it is very important that relationships are formed correctly. Companies will need to create and keep relationships that matter for their business. Building and keeping business relationships will help to succeed, but damaging relationships or leaving poor and broken business relationships can hurt your business and your reputation. Business relationship involves building deep networks strongly rooted in a bond of connections which is developed over time with other people. If we look at two companies in the same industry with similar characteristics, we can ask ourselves why one is excellent and has very good business relationships, and the other company quite the opposite.

It takes quite some time for a company to create a strong corporate image and on the other hand less time to spoil the image. The business relationship can in short terms be classified in 5 stages as described below.

- The prerelationship stage which includes an investigation of the potential customer.
- The early stage can be described when both partners start negotiations about a possible business relationship. From both sides it is perhaps the most time committed investment due to meetings and discussions about sharing information and synergy.
- The next step is what we can call the development stage. The involved business partners get closer to each other and become more used to each others' way of style, leadership etc.
- Going into the fourth stage, the so called long term stage is characterized as the stage where both partners over a long termed period of time have been committed to one another and the possibility of lack of attention and communication is a serious danger.
- In short terms the fifth stage is related to what I mentioned in the fourth part and is directly linked to innovation and new product release. The result may cause that the business relationship breaks up (Gross, 1993: 93-98).

The intention of wishing to do things better in both B2B and B2C in order to get recognition as an excellent company, increases quality of the products or services. Respecting the environment means a few points which can change or even improve business relationships. Building strong relationships with clients and with other businesses could mean the difference between success and business failure. Business cannot prosper without feed-back from their people, customers, or business partnerships. Developing a relationship with them could be the difference between keeping the customer or losing the customer to a competitor offering the same type of products or services you do.

Relationships with potential customers are sometimes hard to identify. Someone that

is not really doing anything for you at the moment is hard to deal with. In fact, this is where many businesses might commit mistakes.

Potential customers represent the future in business so a company should never be content with their current amount of customers, but try to gain more. One way of increasing new business relations could be offering some type of sample or free trial to demonstrate the quality of your product or service. If done correctly, you can easily convert them from potential customers to real customers. Relationships with other firms in the same branch is no doubt one of the best relationships to have. By interacting with others in the same business field makes it easier to learn new things, teach new things and open up new doors for business partners.

2. Using coaching as a part of improving business relationships

Leading firms have it very clear nowadays and most of the big companies have an internal Trainer or Mentor in their Training Department. They invest resources and efforts to promote a new company culture in which the active participation of all employees is a reality. This is used on a daily basis, especially in the CRM/call center market. During my experience as Supervisor In Transcom Worldwide Spain (www.transcom-worldwide.com/Home/) from 2001-2009 one of my tasks was to coach and carry out follow-ups on a weekly basis to my team members and report to the Training Department. This means, the management teams have introduced a new culture inside the company, through an openminded leadership style, creating a good working environment with the intent to cause the participation and commitment of all their employees. Employees can communicate

openly with management teams and set their views on procedures and performance.

Coaching is used as an improvement instrument in greater companies. I am not referring to the typical coach role as we know from sportsworld, but in fact a tool to support every member of the organization. Normally, coaching is based on management or supervisors' observations and directed to the employee as a face to face conversation. During the coaching session the person who transmits the feed-back will create a situation of trust and respect and bases the observations on facts. Coaching takes time, and it involves commitment, patience, persistence and a keen desire to actively participate in employees' development. Throughout the coaching process, it is important to keep in mind that the main objective is to improve performance. Managers or supervisors should begin with early conclusions when they identify a specific performance problem. As with any problem-solving process, the first and often the most difficult step is to identify what exactly and precisely is happening. Once the problem is identified you must focus your attention on the goals you are trying the employee to achieve. These goals may be increasing profits, increasing market share, reducing error rates, cutting down call length, or achieving other business-related objectives. Before ending the coaching session, the mentor/supervisor and the employee will need to agree on a time to meet to discuss the progress. The next meeting should give ample time for the employee to practice the new behavior performance.

Coaching is also based on so-called follow ups in order to motivate each member of the organization or team and to analyze results and progress. Follow ups are also a face to face conversation with the employee for improvement and needs a short termed action plan typically 2 or 3 weeks based on an action plan. The action

plan should, as in the coaching process, include suggestions and solutions, which should determine the steps to be followed and the support from the management person or leader. As in the coaching process, after having identified the likely causes of the performance problem, you will have to decide how to correct it. Again, the employee is the closest to the problem so ask for his/her ideas and write them down.

This not only enhances the employee's self-esteem, but also provides a written record of possible solutions. These may be very handy if the first solution you are trying does not work out so well as you expected. The employee will be more committed to solving the problem if he/she has had a part in the solution. The advantage of continuous follow ups makes sure that the employee feels involved in the process and of course is positively valued by the company. Therefore the best way to get the employee's commitment is asking for his/her help in deciding what to do about the performance problem. This will boost the employee's self-esteem because it signals that the management appreciates his/hers ideas. Mixing both coaching and follow ups together with on the job training (OJT) involves the employee on a direct contact with the mentor, trainer or supervisor who gives the possibility to develop a working relationship and reinforce skills and concepts in real time on the the job.

3. Innovation

Talking about innovation is talking about changing something new and taking advantage of it on the business market.

Great inventors and innovations of the 18th and 19th centuries transformed old industries into new ones and created economic growth. Let us think about the computer chip as an example or the

typewriter who has been replaced by the computer. Most of the innovation and technologic inventions took place in Europe, Japan and the US. New products are developed as a result of consumer needs and wants and speed or time is the new competitive weapon in business relationships. The ability to move quickly and adapt the product is to meet the new market requirements. The reason why product innovation is so important to company success is due to the financial market which seems to dominate company behaviour so much in the last decades. Innovating companies – those that are able to use innovation to improve their products/processes or differentiate their products and services gain marketshare, growth and outperform their competitors.

The second argument for product innovation is the change in customers needs and economy. Customers preferences are changing on a daily basis and very spontaneously, and another thing to have in mind is perhaps short product life cycles. Developing new products is a risky process, but it is necessary because the company has to invest capital and time, and without risking no profits can be made, and no company can survive in business very long with the same product line. The innovation process includes various activities that have to be undertaken in order to turn it into a comercial product or service to the customers. Below there are some steps to be taken into consideration in the innovation process. Cooperation and teamwork between the different departments is the key to the launching of a new product. The firm must design the organization for innovation because it is all a question about teamwork. The research development or the business development department work together with the marketing department, the production department together with the

quality department etc. How many steps are linked in the process depends on both product type and service. However, a generic model would be the research part, the development part, the design part, production, testing period, and eventually the product launching.

3.1. Open innovation

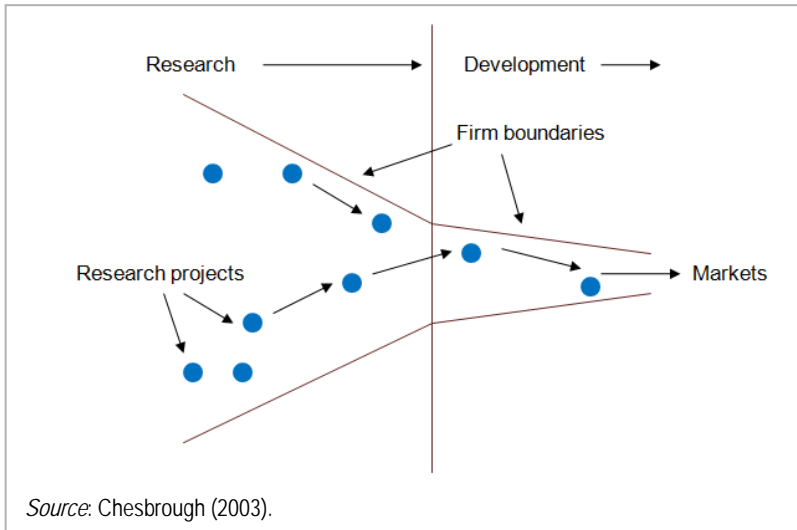
According to Henry Chesbrough, the Open Innovation paradigm can be determined as the antithesis of the traditional vertical integration model where internal research and development activities lead to internal products that are then distributed to both internal and external ideas, in order to advance technology. In other words, Open Innovation suggests that valuable ideas could come from inside as well as outside the company and could go to the market from inside and outside the company as well. Chesbrough, the inventor of the term *Open Innovation* in 2003, describes in his book *Open Innovation: The New Imperative for Creating and Profiting from Technology* (2003) how the companies have changed their innovation style, typically defined as closed innovation processes, to a more open innovation style (See Fig 1).

Several factors have led to the erosion of closed innovation according to Chesbrough. One of the main reasons is that people are getting more flexible and more available for the companies, they are ready to move and at the same time their academic skills have gone up during these years. These factors increase the number of well educated people outside research laboratories of the companies. Another thing to have in mind is when employees change jobs. When employees change jobs they also bring their knowledge with them to their new job, which results in knowledge coming from one company to another. Secondly, the availability of venture capital

has increased in significant levels, which enables good and promising ideas and technologies to be further developed outside the firm, for instance in the form of spin-offs or through licensing agreements, are growing.

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Figure 1
Closed innovation



As a result, companies have started to look for other ways to increase the efficiency and effectiveness of their innovation processes. For instance through active search for new technologies and ideas outside the firm and through cooperation with suppliers and competitors in order to create customer value. Another important aspect is the further development or out-licensing of ideas and technologies that do not fit the strategy of the company. Consider, for example, ASML Holding founded in 1984, which is a Philips spin-off. ASML Holding is the largest supplier in the world of photolithography systems for the semiconductor industry. Open Innovation can therefore also be described as combining internal and external ideas as well as internal and external paths to market to advance the development of new technologies.

3.2. How to understand

First of all, the above described shift indicates that companies have to be aware of the increasingly importance of open innovation. As a fact you cannot use all the good ideas and develop them inside your own company, and after all not all ideas should necessarily be further developed within your own firm's boundaries. This situation is described below.

Close innovation and its principles:

- We have the smart people working for us in the field.
- To profit from Research & Development we will have to discover it, develop it and ship it ourselves.

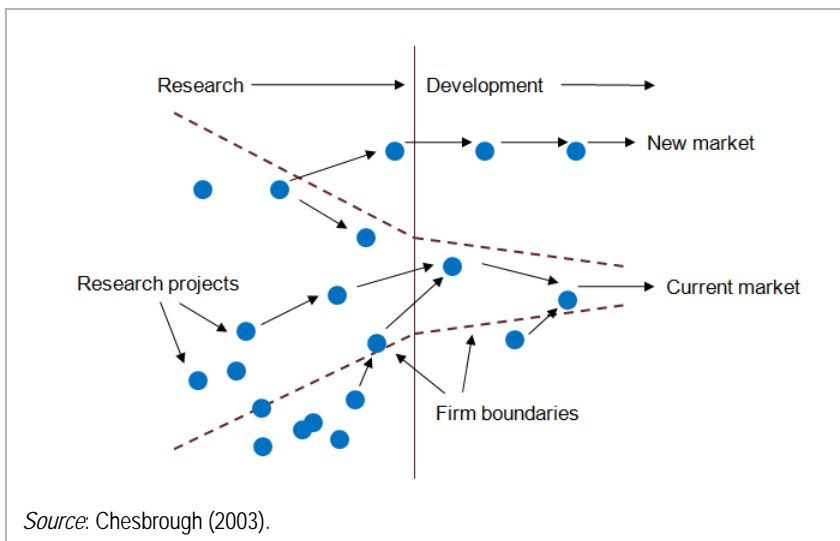
- If we discover it ourselves, we will be the first on the market and get a huge marketshare.
- The company that first gets an innovation to the market will be the winner.
- If we create the most and best ideas in the industry, we will win.
- We should control our Innovation Process, so that our competitors do not profit from our ideas.

Open innovation principles:

- Not all the smart people in the field work for us. We need them to work inside and outside the company.

- External Research & Development can create important value: Internal Research & Development is needed to claim some portion of that value.
- We do not have to originate the research to profit from it.
- Building a better business model is better than getting to the market first.
- If we make the best use of internal and external ideas, we will win.
- We should profit from others' use of our Innovation Process, and we should buy others' Innovation Process whenever it advances our business model (Chesbrough, 2003).

Figure 2
Open innovation



3.3. Continuous product innovation

New technology forces industries to innovate. Over the past 15 years corporate involvement through open innovation has moved through different phases basically external awareness and fully integration. Companies at the external awareness level, must accept that external ideas and skills have some value in the innovation process. They team up with partners,

suppliers and customers from the idea stage to final commercialization.

Despite these partnerships are primarily opportunistic, collaborative processes are very much ad hoc and there is no immediate open innovation strategy present. At this early stage of open innovation, the company has the opportunity to learn important lessons as regards to the use of external resources. Companies in the fully

integrated phase have strategic partnerships as an essential and fundamental part of their innovation strategies.

For example the company, Procter & Gamble in their Connect and Develop Program set as a goal that 50 per cent of all new product ideas must be original outside the company. Procter & Gamble has been a leader in open innovation since 2001 through its Connect and Develop Program, launching over 400 new products that included contributions from outside the company.

Companies at this level have established a clear open innovation-strategy/-model and processes to identify, select and manage external partnerships established with the aim to develop the business. In addition, strategic partnerships are based on cooperation and synergy.

Eli Lilly (www.lilly.com) changed to this stage because in 2006 they renewed their Open Innovation-model to be a Fully Integrated Pharmaceutical Network/FIPNet. Instead of focusing directly on partnerships between themselves and other companies which they previously did, Eli Lilly built a new network of hundreds of companies, a cooperating ecosystem providing value not only to Lilly themselves, but also to the entire sphere of their relationships. So partners forming part of this network are encouraged to share technologies and collaborate with one other even outside Lilly. They also created a powerful arsenal of dynamic, creative collaboration. Lilly are no longer just a partner, they are the owner of the relationship between all their partners as it has been seen in the Danish networking group Danish World Wide Business Online Network.

4. Culture´s consequences in business relationships

The 21st century has increased in the number of size of companies changing

into multinational companies. The characterizing thing about multinational companies in foreign countries is the multicultural organization. It is more common now to see international teams composed with people with different language, values, habits, climate and geography. From a management point of view the challenge is whether to accept the local habits or to change it into one culture the home culture where the company originally comes from. The practise in the countries with different social structures and different levels of economic development and values will then try to work and take over the same technologies. But technologies are not neutral to other cultures so the people who receive these new instruments need both time to adapt if they must learn the organazitional style and leadership (Hofstede, 1984: 391, 393, 396).

There are four ways in which we judge and are judged by other people. These four ways can produce positive or negative results. Why? Because we are reading people every time we are in contact with them. We suppose we can tell everything about a person just by looking and listening to them. We are not always correct in our assumptions and most of the times we feel offended if someone judges us incorrectly.

Let us go through the following 4 examples:

- How we (or they) look
- What we (or they) say
- How we (or they) say it
- How we (or they) treat people

How we (or they) look

In the world of business we make certain assumptions of who a person is by the way he/she dresses himself/herself. A person who is dressed for success and shows confidence is automatically believed

to be a successful person and someone we can trust on.

What we (or they) say

Your way of speaking, or vocabulary tells other people how to assume your education level and your class level. People with higher education usually have a better or richer vocabulary. One way to increase your vocabulary is to use a list of new words until you have installed them in your mind and can use them easily in the correct sentence.

How we (or they) say it

Your tone of voice tells different things for the same words. People make the assumption of what you are saying based on the inflection in your voice. Using your tone of voice makes it a very powerful tool to make people listen to you. Therefore practice in front of the mirror or face to face situation with a friend or simply record your voice on the computer if you want to improve.

How we (or they) treat people

If we use human relation concepts we can influence on people close to us. We can make certain assumptions about people just by watching how they treat those around them. The following example is a list of five basic human relation concepts we can use to increase the influence we have with people around us and help others to feel good about themselves.

4.1. Human relations—a list of concepts

- The use of the golden rule
- Smile
- Try to make the other people feel accepted
- Active listening
- Motivation

Probably the most often talked about and least used human relation concept is the

golden rule. Do onto others as you would have them do onto you. In other words treat everyone as a special person. Everyone is unique and each person has an interesting story to tell if you are willing to listen. A very simple human relation concept which will help you in almost any situation is a smile. You will feel good about yourself and will give the person an opportunity to share the feeling. In fact, smiling is the key word to handle difficult situations typically in customer care situations. You need to stay calm and put yourself into the customer's situation and solve his/her incident in the best way without damaging the firm's reputation. When you talk on the telephone, smile because it changes the muscles in both face and throat, people will hear you are smiling. Most people see other people for their weaknesses instead of their strengths. Good human relations demand we look at others' strengths and then let them know we see those qualities. Sometimes we are the only ones who see these qualities in them. They may be so used to hearing that they are too slow, too old, too young, too dumb, only a male, only a female, etc. that they have indeed become these things. When we let others know we expect them to live and work up to their potentials, they will do everything in their power to do so. Listening skills will help to improve your conversations and your relationships. Most people hear what the other person is saying without really listening. To uncover what people want, spend less time talking and dedicate more time to listening to what your colleague as a business partner has to say. Listening is dedicating interest to a human being. It takes real interest to listen effectively despite distractions as for example time pressure, noise, or language barriers. Surprisingly, one of the most important skills for good listening is asking questions. If you ask questions you not only show your interest in the person, but

also force yourself to listen carefully because you cannot ask questions if you do not listen to the answers. Asking questions also avoid you from talking too much and helps you to confirm what the person has to say to you. You can actually feel when you are doing a good job of listening. Motivating people in terms of their interests, benefits and satisfaction makes you a good listener. The way to a person's heart is to talk to him/her about the things they like. Probably the best way to remember this is that you will be reaching the other person's emotional drives and these are the drives that will motivate all people. By following these concepts a company will be on the right track to gain successful business relationships in the future (Erdman, 2009).

5. Networking as tool to good business relationships

Successful business relationships builds on communication with everyone in your life. The concept of networking started in the context of seeking new jobs and also headhunting in the beginning of the 1980's but can be tracked back to the 1950's. Building your network is an investment. The lines of communication and networking are based on mutual understanding between the partners involved. Mutual understanding begins with the recognition that both sides, opinion leader and change agent, need each other. Opinion leaders typically want to learn about new products and services for them. Therefore networking helps you to manage all kind of information and enables you to be updated on what your contacts are doing. Networking is the active process of building and managing productive relationships. This means building and managing networking as a strong tool to reinforce business and personal relationships. Networking has

always been important for business relationships and due to the fact that business world today changes so quickly, the success depends on your network and how the company manages it in its business relationships.

The need of building solid working relationships, both inside the organization and outside the company is a must. The growing importance of business relationships in marketing is a profound transformation in ways of thinking about customers. It represents the shift from product orientation philosophy to solid relationship orientation philosophy. At the heart of business relationships both personal and business ties becomes mixed in a long term relationship. According to sociologist Mark Granovetter this phenomenon is defined as embeddedness. Inside the company you will develop good relation to your team-mates, superiors and many other colleagues, and outside the company you maintain contacts with suppliers, contacts with investors, press, competitors, etc.

One of the best ways to network is using the computer (email) because it saves you time. Electronic communication is efficient, interactive and immediate and therefore saves you a lot of time from trying to look for new business relationships. The advantages of networking are several. It gives you more personal benefits such as higher paying working positions, boost in career, faster promotion, and new business relations.

Close relationships with customers save money and strong partnership with suppliers ensure quality products and services. A good networking club or organization can mean the difference between success or failure. Some networking groups have other reasons or missions instead of creating business relationships. Some of these groups serve much broader missions and they are not

so useful to most people. For example the Networking Group The Young President Organization (YPO) is a group with exactly one of these missions. The networking group is dedicated to continuous training and education on professional development of young CEO's. The qualification to be admitted is to be a CEO and in charge of a large company before you reach 40 years of age.

The Internet platform www.linkedin.com (founded in 2002) is a very popular and efficient way to network. LinkedIn is a professional network and the premier social networking site for business professionals. It is free to join, and is represented in more than 200 countries and used by more than 60 millions business people worldwide. LinkedIn's mission is to connect the world's business people in order to let them be more productive, competitive and speeding up careers through connections. LinkedIn covers more than 150 different industries and enables you to discover new connections, business opportunities, new careers, solving problems, create and develop projects etc. Once you have joined LinkedIn you create your personal profile about your professional expertise

and you have the option to subscribe to networking organizations, eg. eMarketing Assosiation Network, Social Media Marketing, CRM Experts, Mobile and Wireless just to mention a couple of examples of networking organizations.

Every time you add one direct contact you potentially access to a large number of new indirect second-order contacts. When you join a networking club you get a new set of direct contacts who are good business sources and most of them are willing to give access to their contacts. Success stories from people or companies connected on LinkedIn are several. (<http://blog.linkedin.com/category/success-stories/>). Living in a global connected economy, our success as a professional and our competitiveness as a company depends upon faster access to insight and resources through professional business networking groups and organization.

The summary of this article suggests that it is all a question about how companies decide how to handle new working tools, how to focus on relationships with other companies, innovation, internal values, caring norms in other countries, including multi-cultural contexts, in order to achieve the key to successful business relationships.

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