Chapter XI
Digitizing Business Relationship: Some Practical and Theoretical Considerations

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ABSTRACT

Companies are involved in different types of business relationships for various reasons. These include, but are not limited to, efficiency gains, innovation, and influencing other organizations. In the age of digitization, managers have witnessed new ways to manage business relationships, as the number of digital and electronic commerce tools has mushroomed. Business relationships digitization is an under-researched area, and therefore the purpose of this chapter is to illustrate how relationships are digitized and what managers as well as academics should know about this emerging phenomenon. With the help of an extensive literature review, this chapter presents an overview of basic features and types of digitized business relationships. The author outlines a model that tackles critical factors while digitizing business relationships. In addition, a case example depicting the digitization process of a business relationship is presented. The chapter concludes with a description of the contribution of the study and presents suggestions for further research.

INTRODUCTION

Business relationships have been the key focus of marketing studies particularly in the IMP-Group and also in various forms in marketing channel literature (see Wilkinson, 2001, for review). Business relationships are built up successively and gradually from one time limited contact between organizations to often very close, far-reaching exchange relationships. It should be pointed out
that although business relationships may seem to be in a stable phase, they are in a constant state of flux. The development of business relationships through stages or cycles has been described in many publications (see, e.g., Dwyer, Shurr, & Oh, 1987; Ford, 1980; Wilson & Mummalaneni, 1986).

Both the popular and academic press has regularly written that the amount of business relationships that exist between buyers and sellers has decreased, but similarly the amount of trade contracted within existing business relationships has simultaneously increased (see, e.g., Bakos & Brynjolfsson, 1993; Matthyssens & Van den Bulte, 1994). Hence, the fact remains that in many cases, it is not profitable to play dozens or even hundreds of competing suppliers or customers against each other, but instead work directly with a few of them within a business relationship that is profitable for all parties. This is because as the number of possible partners increases, so do transaction costs (Clemons, Reddi, & Row 1993; Stump & Sriram, 1997). Thus, it is evident that existing business relationships are a vital area for research.

Still, not all existing business relationships are worth fighting for. To identify those relationships that are most profitable, academics and managers have come up with many evaluation schemes and tools that will be presented here. For a discussion on evaluating customers, see Fiocca (1982), and for suppliers, see Kraljic (1983) for examples. There are also studies that describe the evaluation of buyer-seller relationships (see Bensaou, 1999). Identification of the key relationships to be digitized is a pertinent aspect as it acts as a prerequisite for successful digitization.

Besides business relationship literature, the author employs the digitization discussion evolving in both academic and business presses (Fisher & Reibstein, 2001; Salo, 2006a; Sawhney, 1999). The term digitization is employed in many studies but left undefined (see, e.g., Ordanini & Pol, 2001). In this chapter, the term digitization refers to the process of making information, business activities, for example, selling (Johnson & Bharadwaj, 2005), and offerings digital. Thus, business relationship digitization can be defined as the process of making information, business activities, and offerings related to exchange between two organizations digital (see Salo, 2006a).

An academically and managerially interesting research gap can be identified at the intersection of business relationship and digitization discussions. The author aims to fill part of this gap by identifying the means to digitize business relationships. To further elaborate, there is a growing interest in addressing this highly inconsistent and fragmented as well as expanding body of literature (see, e.g., Holland & Naudé, 2004; Kandampully, 2003; Reid & Plank, 2000). Furthermore, it is acknowledged here that digitization literature to date has addressed market and hierarchy governance mechanisms (see, e.g., Alba, Lynch, Weitz, Janiszewski, Lutz, Sawyer, & Wood, 1997; Grewal, Comer, & Mehta 2001) rather than business relationships. As stated, the focus here is on business relationships and how they are digitized. More specifically, what managers should know about this emerging field is also discussed. The chapter is organized as follows: A literature review of digitization, the benefits of relationship digitization, and the tools for digitization are presented followed by ideas on how to effectively select the right business relationships to be digitized. After that, the author shows possible steps to be taken when digitizing business relationship. The first three steps are based on a literature review. Business relationship digitization management issues are then illustrated with the help of a case study. The chapter concludes with implications and future research directions.

**POSSIBILITIES OF DIGITIZATION**

It is a well-known fact that digital tools can be harnessed in business relationships to yield ex-