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Ethical and Moral Dilemmas Associated with Strategic Relationships between Business-to-Business Buyers and Sellers

Nigel F. Piercy
Nikala Lane

ABSTRACT. While ethical and moral issues have been widely considered in the general areas of marketing and sales, similar attention has not been given to the impact of strategic account management (SAM) approaches to handling the relationships between suppliers and very large customers. SAM approaches have been widely adopted by suppliers as a mechanism for managing relationships and partnerships with dominant customers – characterized by high levels of buyer–seller inter-dependence and forms of collaborative partnership. Observation suggests that the perceived moral intensity of these relationships is commonly low, notwithstanding the underlying principles of benefiting the few (large, strategic customers) at the expense of the many (smaller customers and other stakeholders), and the magnitude of the consequences of concessions made to large customers, even though some such consequences may be unintended. Dilemmas exist also for executives implementing strategic account relationships regarding such issues as information sharing, trust, and hidden incentives for unethical behaviour. We propose the need for greater transparency and senior management questioning of the ethical and moral issues implicit in strategic account management.

KEY WORDS: buyer–seller relationships, ethical dilemmas, governance, interorganizational relationships, marketing, moral dilemmas, selling, strategic account management, unintended consequences

Introduction

The domain we intend to examine is that defined by the relationship between the strategic or key account manager in a selling organization and the purchasing organization of the large and very large customer. We focus less on the behaviour of individuals within this relationship and assess the relationship itself as a source of ethical dilemmas, because of the way it operates and the consequences it produces. Nonetheless, the impact of such relationships on individual executives does remain an important concern to which we shall return. The advance of the study of marketing ethics has been supported by studies carried out at what may be called critical stress points, such as the ethics of marketing research or salesforce management behaviour. Such critical junctures are points at which marketing ethics considerations are both important and highly problematic. In this tradition, our study is concerned with a critical juncture in the value chain relating to the relationships between sellers and large buyers. In some instances,

Nigel F. Piercy (Nigel.Piercy@wbs.ac.uk) is Professor in Marketing and Strategic Management, Warwick Business School, The University of Warwick, UK. He holds a PhD from the University of Wales and a higher doctorate (DLitt) from Heriot-Watt University, Edinburgh. His current research interests focus on strategic sales and account management. His work has been published in many journals including Organizational Dynamics, the Journal of World Business, the British Journal of Management, the Journal of Marketing, *and* the Journal of the Academy of Marketing Science.
Nikala Lane (Nikala.Lane@wbs.ac.uk) is Senior Lecturer in Marketing and Strategic Management, Warwick Business School, The University of Warwick, UK. She holds a PhD from the University of Wales and was previously Senior Research Associate at Cardiff University. Her research interests are focused on gender and ethics issues in sales and marketing management. Her work has been published widely in the international literature, and includes articles in the Journal of Management Studies, the British Journal of Management, the Journal of Business Ethics, *and* the Journal of Personal Selling & Sales Management.

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these relationships are close to a form of vertical integration, even if not explicitly recognized as such or planned to be so.

Our concern is that major selling and buying organizations have created a new type of boundary-spanning role or interface, the successful performance and operation of which requires an individual executive to covertly undertake behaviours which are potentially unethical, possibly dubious morally, and in extreme cases even unlawful. We will provide examples to illustrate the basis for this concern. If well-founded, our case suggests the need to assess more carefully the definition of the role of the strategic account manager to accommodate stricter limits on what is, and what is not, acceptable behaviour, regardless of short-term performance imperatives.

Our paper is based on the available literature concerning strategic account/strategic supplier relationships. We develop from this literature a number of areas of important ethical and moral concern, which appear neglected by scholars in this field. Our study is also informed by our experiences in working with executives in management workshops concerned with strategic customer management. The paper is structured in the following way. First, we consider the rationale and nature of strategic account management (SAM) as an emerging organizational paradigm for suppliers to manage their relationships with large customers. Then we briefly review the ethical dimensions of buyer–seller relationships as they are proposed in the extant marketing and sales literature. We then examine and illustrate three aspects of SAM relationships which pose moral and ethical dilemmas: (1) the impact of seller strategy which favours a few customers at the expense of the many; (2) the potentially harmful, though sometimes unintended, consequences of the strategic account relationship; and, (3) the dilemmas faced in implementing the strategic account manager role as it relates to information sharing across organizational boundaries, trust between partnered organizations and the principle of ''keeping promises'', and the hidden incentives encouraging unethical behaviour which may be implicit in the SAM model. Finally, we consider the ways in which organizations may address the dilemmas we have identified.

SAM and very large customers

SAM strategies have evolved globally as an approach to handling the problematic issues raised by very large customers who dominate a supplier's sales and profit profile (Shi et al., 2005). Such customers are those described by the Strategic Account Management Association as: complex accounts with special requirements, who are characterized by a centralized, coordinated purchasing organization with multi-location purchasing influences, a complex buying process, large purchases, and a need for special services. SAM involves dedicating significant corporate resources to a small number of ''special'' customers (Association webpage http://www.strategicaccounts.org/public/about/what.asp). In parallel, many major buyers have adopted strategic supplier relationship policies. For example, in 2005 Ford Motor announced it was consolidating its supply base for its $90 billion components purchases from 2000 to 1000 suppliers globally. The first seven ''key suppliers'' constitute some 50% of Ford's parts purchases, and will enjoy superior access to Ford's engineering resources and product planning. Ford will work closely with its key suppliers, giving them access to key business plans for new vehicles and committing to give them business (Mackintosh and Simon, 2005). Such strategies underline the significance of shifts in buyer–seller relationships from a transactional basis to forms of inter-organizational collaboration and partnership.

Importantly for many suppliers, SAM is far more than a sales strategy for major accounts – it is a progression towards a form of ''partnership'', or network, or alliance with major customers, characterized by joint decision making and problem solving, integrated business processes and collaborative working across buyer–seller boundaries, described as a process of ''relational development'' (Millman and Kevin, 1989). Nonetheless, in spite of the growth of SAM, recent studies suggest that while SAM is one of the most fundamental changes in marketing organization, it is one where a sound research foundation to guide management decisions remains largely lacking (Homburg et al., 2002; Workman et al., 2003).

In particular, we can find no sign in the literature than any critical study has been undertaken of the

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potential for ethical problems or moral conflicts in the SAM relationship itself or in its consequences. Certainly, it has been suggested that policies of active collaboration between companies and their suppliers are attractive in avoiding the ''dog eat dog'' philosophy of buyer–seller confrontation, and that the implementation of these buyer–seller collaborations should be based upon ''deep-rooted ethical values'' (Valenzuele and Villacorta, 1999). However, what has not been considered are the outcomes if collaborative buyer–seller relationships are not, in fact, based on deep-seated ethical values, or if the collaboration is not perceived by executives as having an ethical dimension, or if executives do not believe that they or their organizations should consider moral issues as a significant context for collaboration. Indeed, the urgency and topicality of the issue we address is underlined by contemporary suggestions that increasingly corporate incentive structures and business strategies push in directions that are at odds with ethical behaviour, producing a situation where executives may feel penalised, not supported, for raising ethical questions. This personal conflict may be exacerbated by the short-term bias of investors providing yet more pressure to support unethical behaviour in critical business relationships (Plender and Persaud, 2005, 2006).

Our paper is framed around what we suggest to be some of the important ethical and moral dilemmas faced by senior corporate managers, strategic account managers, and strategic purchasing executives in the way they reach decisions relating to the strategic account/strategic supplier relationship, i.e., the moral judgements, standards, and rules of conduct they generate and apply (Gundlach and Murphy, 1993). In fact, it could be argued with some merit that in fact what we are considering is not an attribute of SAM *per se*, but rather of the relationships that suppliers have with their large and very large customers. This is to some extent true, since the dilemmas on which we focus largely exist because of the imbalance of power and the exercise of that power by one party over the other, albeit in the guise of collaboration and partnership. However, it is also the case that by creating a new organizational role to contain and isolate these problematic relationships, organizations have not removed, but have at best obscured, the dilemmas we identify. Worse, the SAM role, typically held by a relatively junior executive, is in danger of becoming a way for more senior management to disclaim responsibility for moral issues in relationships with large customers. While accepting that the situations we describe characterize the supplier/large customer relationship, we are particularly concerned about the effect of strategic account management roles on the reality of that relationship, and the risk that this new management approach introduces additional moral and ethical hazards.

Ethical considerations in buyer–seller relationships

One recent analysis suggests that in reality, economic egoism (self-interest) has always formed the moral basis for marketing theory and practice, although popular views suggest some form of ''enlightened self-interest'', where marketing seeks the most advantageous social consequences as a prerequisite for achieving company goals (Desmond and Crane, 2004). Nonetheless, various conceptual frameworks have been proposed for the study and analysis of ethical concerns in marketing. Illustrative is the widely cited ''general theory of marketing ethics'', which draws on the distinction between deontological and teleological theories of ethics made in moral philosophy (Hunt and Vitell, 1986). In this distinction lies the argument that deontological theories focus on specific actions or behaviours, and the rightness or wrongness of those actions or behaviours. Teleological theories focus on the consequences of the actions and behaviours, and the amount of good or bad in those consequences.

Recently, Cherry and Fraedrich (2002) have recast these approaches as consequentialist ethical theories (teleological), including egoism (individuals should promote their own greatest good), and utilitarianism (asking what alternative will produce at least as good a balance of good over bad as any other), and non-consequentialist (deontological) ethical theories, concerned with questions of moral obligation and the means and motives by which actions are justified, and stressing that the rightness of an act is not determined by its consequences. This suggests that at the centre of ethical decision making, an ethical judgment is formed based on deontological and teleological evaluations, which influence

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behaviour through the mediating variable of intentions (Hunt and Vitell, 1986). In deontological evaluations, the individual assesses the rightness or wrongness of alternatives faced compared to predetermined norms, representing personal values of rules of behaviour. The teleological evaluation depends on: the perceived consequences of each alternative for the various stakeholder groups; the probability that each consequence will occur to each stakeholder group; the desirability or undesirability of each consequence; and, the importance of each stakeholder group (Hunt and Vitell, 1986).

However, it is likely that executives will not perceive all situations as manifesting ethical issues (Singhapakdi, 1999). This differentiation is reflected in the concept of moral intensity – ''the extent of issue-related moral imperative in a situation'' (Jones, 1991). Moral intensity consists of six components: magnitude of consequences; social consensus; probability of effect; temporal immediacy; proximity, and concentration of effect. The suggestion is that issues of high moral intensity will be recognized more readily and ethical intentions established more frequently, than is the case with issues of low moral intensity (Singhapakdi, 1999).

Our commentary on the ethical implications of strategic account management relationships with major corporate buyers will be framed by the concepts of consequentialist and non-consequentialist evaluations of issues, accepting that those issues will vary in their perceived moral intensity. We will propose several important ethical and moral conflicts and dilemmas in this form of buyer–seller relationship, which appear to have been neglected in the extant research. Indeed, we can locate no empirical study of the behaviour of SAM executives and key account purchasers that offers insight into their (un)ethical behaviour, or indeed any conceptual analysis that recognizes these questions. Importantly, the strategic account relationship differs in some important respects from the conventional salesperson/buyer relationship, particularly as regards the direction of dependence and the collaborative nature of the interface.

Although not concerned with the strategic account issue as such, there are some relevant insights in the general evaluation of relational exchange between buyers and sellers. Gundlach and Murphy (1993) argue that the ethical foundations of exchange comprise: equality (mutual advantage occurs); the ''promise principle'' (the duty to keep a promise); and the morality of duty and aspiration (parties follow the rules and do not knowingly do harm to one another). Their analysis suggests that the dimensions of ethical exchange consist of: trust (taking another's word as fact and reducing the likelihood that the other party will act opportunistically); equity (mutual satisfaction and fairness); responsibility (taking full responsibility for one's actions); and commitment (stability, sacrifice and loyalty). Gundlach and Murphy provide a compelling analysis of an ideal model of relational exchange, but give relatively little attention to situations, where relationship conditions are less than ideal, other than suggesting by implication that exchanges which do not display ethical exchange characteristics are *prima facie* unethical.

In addition, analysts of strategic alliances draw attention to relational risk when a partner undertakes self-interested opportunistic behaviour at the expense of the other party (Das and Teng, 2001). Several theoretical frameworks indicate that the opportunity to take advantage of the other party in an alliance negates the advantage of strategic alliance, and that opportunism should be replaced by cooperation. However, the mutual trust necessary can only be achieved through ethical conduct between the parties (Daboub, 2002; Daboub and Calton, 2002). A recent analysis by Dabaub and Calton (2002) adds further insight to the nature of the emerging ethical and moral dilemmas faced in strategic account relationships. They argue that the complexity and change in the business environment has mandated the development of new inter-organizational relationships, which importantly ''has resulted in the disaggregation of the value chain and the disaggregation of ethical and legal responsibility'' (p. 96). If strategic account relationships are a relatively new manifestation of the network forms evaluated by Dabaub and Calton, then a similar conclusion about the loss of ethical foundations may hold true.

However, while these issues have achieved some recognition in the strategic alliances literature, they have been largely ignored in the study of SAM. We propose that dilemmas exist with respect to several characteristics of strategic account management/strategic supplier management relationships.

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The good of the few versus the good of the many

It is straightforward to reiterate the attractions of a relationship marketing strategy that focuses attention and resources onto strategic accounts, since the arguments have been widely rehearsed in the literature. The logic is that favoured treatment of key partner organizations, as strategic or key accounts, can reduce customer costs, increase product quality, and increase customer satisfaction (Kalwani and Naravandas, 1995), while at the same time reducing seller expenses, achieving economies of scale, gaining access to markets and technology, and creating barriers to entry for competitors (Fontenot and Hyman, 2004; Gundlach and Murphy, 1993). SAM offers the promise of sustainable competitive advantage by developing intense; long-term marketing relationships with key partners, that are difficult for competitors to duplicate (Buchanan, 1992), and by vertical integration, possibly to the extent of exclusive dealing or single-source relationships (Weitz and Jap, 1995).

However, by implication, SAM is a policy that favours the few (the strategic accounts) at the expense of the many (smaller accounts and other organizational stakeholders). The fact cannot be avoided that such focus on strategic accounts can only be achieved at the expense of others who are not party to the collaboration between buyer and seller and its details. Indeed, if there were no such advantage for the buyer, then there would be no basis for a strategic account/strategic supplier relationship. For example, most obviously, concessions and special treatment for strategic accounts may be at the expense of the supplier's smaller customers, who pay higher prices and receive less advantageous terms of trade. This may have a twofold effect: first, smaller accounts receive poorer value than strategic accounts, thus negatively influencing their profitability; but, secondly, if they compete with the same strategic accounts in a shared end-user market, their competitiveness is undermined and their long-term survival may be threatened. In a very real sense, smaller accounts may pay more not because they are more expensive to serve, but because they lack the power to demand and obtain lower prices. A business model which institutionalizes and legitimates this form of cross-subsidy raises a moral question of whether it is right or fair to treat smaller customers in this way. (Relatedly, policies of cross-subsidy are actually illegal in some countries and can attract substantial legal penalties if they are uncovered.)

Alternatively, it can be argued that advantageous terms offered to strategic accounts are at the expense of shareholder interests. Interestingly, while formal strategic alliances are normally matters of public contract and open to scrutiny, and financial mergers are subject to shareholder permission by ballot, strategic account relationships are not normally subject to the same scrutiny or right to reject by the owners of the business. Indeed, conceding excessive advantages to strategic accounts may also be to sacrifice the long-term value of the company to its owners, by sacrificing long-term profitability for short-term gains in sales and market position.

Advocates of SAM would doubtless argue that the natural process of market concentration means that some customers will be more important than others, and that it is therefore both reasonable and perhaps inevitable that they will receive more advantageous terms of trade than other, less important, customers from suppliers. There is a degree of truth in this viewpoint. However, it is also the case that for suppliers who conform to this pattern of behaviour, one consequence is that they further enhance the bargaining power of their major customers, and have to live with the consequences, which may be undesirable both for themselves and for others. Customers with market power are likely to use that power in their own interests, and to use additional power yet more.

For example, in mid-2005, dominant U.K. music and video retailer HMV, threatened to halt promotions with suppliers who allowed DVDs to be given away free by newspapers, on the grounds that free DVDs in newspapers harm HMV's sales of those titles and other DVD sales. If HMV were believed to be suggesting to suppliers that they cease supplying DVDs to newspapers, or if HMV were deemed to be trying to block a supplier's route to market by using a dominant High Street position, then that could constitute market abuse, and attract legal penalties. However, Office of Fair Trading investigation would require that an official complaint be made (Lloyd, 2005). There remains the unresolved question of whether any supplier is likely to jeopardise

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future relationships by making such a formal complaint about a dominant customer.

Importantly, there seem some doubts that customers treated as the "favoured few" will actually reciprocate this favour with their suppliers. Strategic account relationships may in this sense be based on an implied promise of loyalty and collaboration which is not kept. Consider, for example, the troubled automotive parts supply marketplace. For some years, suppliers have experienced pressure from their major carmaker customers to hold down or reduce prices, while raw material costs have been escalating. The inevitable shakeout in the supply sector is unsympathetically described by one company: "We're going through a natural process of weeding out suppliers who are incapable of surviving the cyclicality of the auto industry" (Simon, 2005a). Indeed, in the midst of this crisis for suppliers, Volkswagen's response was to demand further savings of 10% over the following two years from its "partners" in the components sector (Mackintosh, 2005). Faced with stagnant demand for cars, and increasingly fragmented markets, car manufacturers have moved back towards treating suppliers as adversaries, rather than "trusted partners" (Simon, 2005b). Suppliers with long-term strategic relationships with major customers are now faced with the reality that the concessions they have made to sustain a relationship may have been in vain because the customer may not keep the implied promise of partnership. In this sense, inter--organizational relationships not grounded in ethical exchange may also be highly unattractive in commercial or economic terms.

Lastly, there are risks that the relatively covert operation of buyer–seller collaboration, formalized in the SAM strategy, may also lead towards actions which are prohibited under competition law, and which are hidden until late in the day. Since the object of relationship marketing and SAM is to create mutually beneficial alliances with strategic accounts, they are likely to restrict trade among competitors by creating barriers to entry (Williamson, 1979). If the relationship is coercive, restricts competition, discriminates among different classes of customer, or inhibits innovation, then it may violate competition law in different parts of the world, but importantly in such situations "stakeholders such as employees, customers, communities, channel members, competitors, and governments may be harmed" (Fontenot and Hyman, 2004). If, for example, a supplier sells products and services to a strategic customer at prices which are less than variable cost, while charging other customers prices higher than variable cost, there is a *prima facie* case for anti-competitive behaviour.

It is important to note that there are several areas of SAM/strategic supplier relationships, where behaviour may be more than ethically suspect, and actually be unlawful. While global generalizations are difficult, due to differences in legal systems and enforcement policies in different countries, it is valid to underline the pragmatic need to balance ethical, legal and economic responsibilities (Carroll, 1991). However, constructs like Carroll's "pyramid of social responsibilities" underline the case that to rely only on legal frameworks to judge the acceptability of buyer–seller relationships is a relatively weak way of confronting issues which may simply be judged as "wrong" against many prevailing sets of norms. For example, some views in developing European competition law suggest that even if guilty of breach of anti-trust laws, companies may escape punishment if able to demonstrate that their conduct had benefited consumers by producing efficiencies (e.g., improving product quality or lowering prices). The legal boundaries separating abuse from normal business practice are somewhat blurred and apparently becoming more so (Buck, 2005). To accept, and to allow to go unsanctioned, anti-competitive behaviour on the grounds that consumers benefited (seemingly regardless of the impact on competitors or other stakeholders), may suggest the dominance of expediency over morality in the regulator's mind. The puzzle of equating that which is unpunished with that which is morally justified suggests that the rightness or wrongness of actions in managing strategic account relationships may require other forms of evaluation than the legalistic.

More generally, it is suggested that the law alone is insufficient to ensure that corporate behaviour does not act against the interests of owners, third parties, or the wider interests of society. Legal regulation may simply codify the lowest common denominator, while lagging behind the way in which markets and corporate strategies have evolved. In addition, business strategies have side-effects – externalities – that are typically not

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considered in regulation. Hence, ''there is a need for ethical behaviour that goes beyond complying with the law, especially in the gray areas, where managers face conflicting priorities'' (Plender and Persaud, 2006).

Our study of the available literature on strategic account management has failed to locate any consideration of ethical or moral dimensions of this business model. We suggest that perceived moral intensity is low. Nonetheless, a *prima facie* case can be made for a deontological view that, at least in some cases, strategic account relationships are morally undesirable, if they: are unfair to smaller customers; introduce or reinforce competitive distortions in end-user markets; provide a vehicle for covert anti-competitive behaviours; and, lack shareholder mandate. Guidelines for ethical exchange propose principles of equality, commitment, equity and loyalty, while our examples suggest broken promises, one-sided commitment, and illusory reciprocity between partners. Thus from a teleological perspective also, strategic account relationships may be problematic. It would be improper to suggest that all strategic account relationships are flawed in this way, but we do suggest that the potential for abuse underlines the need for more searching scrutiny of the moral and ethical foundations of strategic account relationships than appears currently the case.

The unintended consequences of concessions

A second area of concern relates to the consequences of concessions and advantages developed by suppliers for their strategic accounts, which may be unintended, but which nonetheless are damaging to themselves and to others. The dilemma is that while there is increasing recognition that companies should manage their businesses in such a way that they are not detrimental to society (Carroll, 1993), there appear to be an increasing number of situations, where successful marketing activities by firms impact negatively on consumers, society or other stakeholders in ways which have not been planned or anticipated (Fry and Polonsky, 2004).

For example, recent estimates suggest that Britain's farmers are forced to throw away as much as one-third of their home-grown fruit and vegetables because of the ''rules'' imposed by supermarkets relating to the cosmetic appearance of produce. The Soil Association suggests that between 25% and 40% of British-grown fruit and vegetable crops are being rejected by supermarket buyers – victims of such devices as Tesco's ''brightness meter'' testing that the skin of potatoes is shiny. The supermarkets' view is that they are simply following consumer demands for cosmetically perfect produce. Whatever the truth about consumer preferences (which are difficult to evaluate since they are only offered cosmetically perfect fruit and vegetables), powerful buyers continue to impose huge food waste and financial penalties on farmers which cannot be resisted, in pursuit of their goals (Leake, 2005).

While intended exchange effects with key customers are clearly intended to be positive, they may in fact have certain negative consequences as well as or instead of the positive outcomes planned. One of several possibilities may explain this: the buyer and seller may miscalculate the effect of their exchange on others; they may adopt an egoist perspective and ignore the effect of their exchange on others; or, they may not have the power to control the effect in question (Mundt, 1993).

From an ethical perspective, it has been suggested that the prescriptive priority is for executives to accept the moral obligation to carefully consider not only the intended exchange-related activities with the customer, but also the unintended consequences of marketing activities on the primary stakeholders in the network of exchanges that comprise the marketplace (Fry and Polonsky, 2004). This obligation is perhaps more related to exhibiting a reasonable level of due care to others, than to suggest all possible outcomes can be predicted or, indeed, avoided. Nonetheless, while evaluation may take place only within reasonable boundaries, the priority of that moral obligation is supplemented by the knowledge that unintended consequences may be severely harmful to the originators as well as bystanders, and enlightened self-interest may also be relevant, since economic damage may ensue for the originator.

One recent buyer–seller dispute is illustrative. Gate Gourmet, the world's second largest supplier of airline meals, is the sole supplier of in-flight catering to British Airways. This customer accounts for 80% of Gateway's UK sales. Throughout the

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2000s, BA forced down supplier prices – for Gate Gourmet this meant big steps down in price in 2002 and 2003, with further smaller steps down each year until 2008. By 2004, Gate Gourmet's losses on its Heathrow operation had reached £25 million a year and were worsening, with daily losses at Heathrow of £500,000-£1 million in 2005. In mid-2005, the U.S. owners of Gate Gourmet – Texas Pacific – sacked 667 workers from a workforce of 2000 for taking part in an unlawful, unofficial strike, in an attempt to cut costs and reform working practices, resulting in increasingly bitter industrial action by employees. The dismissals – some carried out by megaphone in the company car park – resulted in an unofficial sympathy strike by BA workers, paralysing BA's flight operations at its global hub for more than 24 hours, stranding around 110,000 passengers and costing BA around £40 million.

Faced with possible financial collapse, Gate Gourmet took the stance that unless the right deal was struck with the union and BA offered a new more generous catering contract, management would put the company into administration. Under this pressure, BA agreed to pay an additional £10 million to Gate Gourmet catering, conditional on the company resolving its dispute with its employees. That resolution involved a voluntary redundancy programme for Gate Gourmet's 1400 employees and equivalent compensation for the sacked workers, but with the threat that those who "incited" the strike would not be re-hired because they were "militant or disruptive employees". Compulsory redundancies also seem likely. Gate Gournet takes the view that BA should pay to resolve the dispute, while the airline disagrees (Done, 2005a, b, c; O'Connell, 2005).

It is unlikely that British Airways intended or sought these outcomes. Nonetheless, companies that divorce themselves from the employment concerns of their key suppliers are taking a large risk and may even be considered morally and economically irresponsible. Continual pressure on suppliers' prices pushing the supplier into financial losses can be linked directly to harmful impacts both on Gate Gourmet's employees and owners, and on BA's passengers and shareholders. The moral issue raised is how executives managing the BA/Gate Gourmet relationship were able to demand and give price concessions with apparently little regard to the interests of other involved parties, and the negative consequences which were actually achieved. It might be that executives simply close their minds to the possible effects of their actions; or that they traded-off the risks against the short-term gains they could achieve. In either case, it is clear that the unintended consequences of the operation of this strategic supplier relationship have been harmful to all concerned.

However, the dilemma extends yet further. In the BA and Gate Gourmet case, much of the financial cost of resolving the issues in question was actually borne by BA – the costs of BA's employees taking industrial action in support of Gate Gourmet employees, and the additional payments to Gate Gourmet. It appears that at some stage the direction of dependency between buyer and seller was changed. While BA had been able to demand lower and lower prices because of its dominant position, there came a point when Gate Gourmet became the more powerful, simply because BA could not get catering supplies elsewhere. Similarly, in the automotive components market, manufacturers like Ford and GM have used their market dominance to force suppliers' prices down in spite of their increasing raw materials costs, placing many on the verge of bankruptcy and claiming Chapter 11 court protection. The result has been that Ford has had to take over the plants of one of its suppliers – Visteon – rather than lose control of crucial parts supplies, and GM is renegotiating its relationship with Delphi for similar reasons (Simon, 2005b). It appears that one result of not tracking the consequences of pursuing short-term advantages may be a form of "corporate self-harm" – Ford and GM do not want to run components operations, any more than BA wants to bail out Gate Gourmet. However, the consequences of the strategies of their own executives have forced these outcomes upon them.

A teleological perspective suggests that buyer–seller relationships of the type described here have produced several types of socially undesirable consequences and harm to third parties, and these consequences appear to have largely ignored in the literature. Principles of ethical exchange are breached in situations where exchange partners not only harm other stakeholders, but ultimately damage their own organizations as well. We suggest there is a

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compelling case for greater scrutiny of strategic account relationships by senior management to evaluate the possible consequences in moral terms as well as economic. It is perhaps apposite to note the argument that ethical behaviour in business is more rational, more instrinsically valuable, and more profitable than unethical behaviour (Velasquez, 1996).

Dilemmas in implementing the executive role

In addition to the issue of the unintended consequences of decisions made to very large customers, and the degree to which favouring one small customer group at the expense of others meets reasonable standards of fairness and equity, attention should also be given to the effects of SAM approaches on the individual executives concerned, both as sellers and buyers. In particular, these concerns revolve around the possibility that in order to effectively implement the organizational role which has been allocated, executives may be in a position, where they are *de facto* required to take actions and make decisions which offend both their own codes of conduct, their own organizations' ethical and governance standards, and more general concepts of fair dealing between buyers and sellers. Indeed, as noted earlier, executives may under some circumstances be placed in a situation, where the SAM role presses them to undertake behaviours which may be or become unlawful. This argument is illustrated by considering the questions of information exchange between buyer and seller within the strategic account relationship, and the degree to which actual or implied promises between the parties can be kept, as well as the incentives for unethical behaviour implicit in the strategic account model.

Information sharing

One characteristic of the operation of SAM is a high degree of information sharing between seller and buyer. This may include sensitive information regarding costs and prices, new product plans and other strategic developments. For example, in a workshop presentation at our university between a strategic account manager and his purchaser in the strategic account, both executives placed much emphasis on the trust between the two parties, and particularly the sharing of proprietary information. When pressed, the executives reluctantly admitted that their own organizations and their chief executives did not know how much information had actually been shared, and were unlikely to have formally approved. Nonetheless, they maintained that the strategic account relationship could not operate effectively, other than through intense information sharing. A critical question therefore is whether information sharing by the executives concerned is limited to that sanctioned by the organization, or whether it goes further.

The risk appears that the SAM model imposes a requirement for information sharing on individual executives in buying and selling organizations, which goes beyond that sanctioned and approved by the organization. To perform well in the SAM role, the individual must choose whether or not to breach organizational policies and management practices by disclosing confidential information selectively to his/her counterpart in the partner organization. To choose not to undertake this behaviour is probably to choose to perform the SAM role poorly (against the goals set by management). To ignore organizational policies and share confidential information raises the issue of the contravention not only of formal governance but possibly also personal codes of conduct. While offering senior management the advantage of "deniability" if accused of anti-competitive behaviour, the SAM role transfers the onus for this decision to relatively junior executives. This appears unattractive both in terms of governance but also in the way an organization treats its managerial employees. A business model which imposes an unfair burden on individual executives to make strategic account management work through behaviours not approved by the organization is morally questionable. Further, the same pressure may also result in information sharing which reaches the level of anti-competitive behaviour, so individual executives may actually have to choose whether to follow the law (and do their jobs less well, with whatever corporate penalties may ensue) or to ignore the law (and perform the job better).

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Partnership, trust, and the principle of "keeping promises"

Some suggest that the reality of modern buyer–seller relationships underlines the death of reciprocity and the illusion of expecting customer loyalty. It is certainly the case that there have been fundamental changes in the relationships between buyers and sellers in business-to-business situations, which we have described in the context of SAM. However, there seems some tendency for analysts to have adopted a somewhat biased view of those changes, and for managers to build strategies that rely on assumptions about reciprocity in buyer–seller relationships and customer loyalty.

Consider the potential for broken promises of several kinds which exist in strategic account relationships. For example, mid-2005 saw the giant UK hardware retailer Focus writing to suppliers demanding that they pay more towards distribution costs, and increases in cash discounts for invoice settlement. This action effectively changed payment terms with suppliers mid-contract. Around one-third of Focus' suppliers have been dropped because they rejected the new terms (Tooher, 2005). However, perhaps more pervasive than the breaking of contractual promises between suppliers and buyers is the breach of the promises implied by the apparently cooperative and collaborative partnership relationship.

For instance, telecommunications equipment supplier Marconi in the UK had a strategic relationship with British Telecommunications Group that went back several decades. As one of BT's largest suppliers of network equipment, BT was Marconi's largest customer, accounting for 25% of sales. In April 2005, BT announced the supplier network for its £10 billion spend on the massive "21st Century Network" project. Marconi was not included as a supplier. Notwithstanding the long-term relationship with Marconi and the company's R&D strengths, BT made its decision based on price, and Marconi was unable to reduce costs to the levels of overseas competitors, even though it had been prepared to run at a loss. Marconi's market value almost halved when BT's decision was made known, and it quickly became doubtful whether the company could survive in its independent form without the BT business. By late-2005, the main part of Marconi's business had been purchased by Swedish telecoms company Ericsson, leaving Marconi with just its UK-based services operations (Odell, 2005). Commentators conclude that Marconi's biggest mistake was believing that BT would remain a loyal customer (Brummer, 2005; Durman and Box, 2005; Grande, 2005).

However, what remains elusive is the degree to which Marconi had the right to believe that BT would remain a loyal customer, because of their decades-long strategic relationship. For a collaborative or partnership-based relationship to have sustained for such a period of time, suggests the existence of trust and cooperation between the buyer and seller. But that would then suggest an implied "promise" to continue or sustain the relationship, or at least to make clear when it was likely to come to an end. The unilateral abandonment of a partner by a single phone-call, as was the case with Marconi and BT, raises serious questions about the reality of buyer–seller partnerships, which remain unresolved. It is unclear in this case if the outcome represents misjudgements by individual actors, or the breaking of implied promises between the two organizations. Certainly, the degree to which promises were implied underlines the pressures placed on the account management and purchasing executives concerned and the dilemmas they face.

On another front, speciality chemical producers share the dilemma of rapidly rising costs related to oil and basic chemical prices, while large customers in the food and cosmetics industries resist price increases. The sector faces the upheaval of consolidation with major social impacts and job losses across Europe, largely because their largest customers are able to fight off price increases (Simonian, 2005). The issue is not so much one of broken promises but the unrestrained use of market power by large buyers to reject raw materials-led price increases, regardless of the social or other consequences of their actions.

The point we would emphasize here relates not to corporate relationships as such, but rather to the impact of such situations on the individual executives responsible. The managers in BT who chose to drop Marconi as a key supplier and those who exert market power to refuse to accept price increases in speciality chemicals are unlikely to be the same individuals who operate the buyer–seller relationship. Those who partner across organizational boundaries develop relationships, offer commitment,

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cooperate, make or imply promises as to future behaviour, and assume duties towards each other, and do so to make SAM work effectively. When their own organizations subsequently adopt policies which lead to broken promises, breaches of commitments, and other harmful effects to others, the question arises whether organizations have a moral and ethical basis for treating their own executives in this way.

Interestingly, the notion of ''trust equity'' captures the idea that trusting relationships between organizations are attractive because they reduce the costs of doing business – less time is devoted to monitoring compliance, negotiations, contractual details, for example (Landry, 2000). However, it seems that one signal of the dysfunctional supply chain is where trust exists between individuals, but the organizations that employ those individuals do not behave as though encumbered by the obligations of a trusting relationship. In this sense, the promises made or implied by individual executives in a strategic account relationship can be no more than conditional, even if this is not recognized by the individuals concerned. The individual executive's dilemma hinges on making relational promises which may be broken by the company, in spite of the assumed existence of ''trust equity'' and the advantages of ''trusting relationships'' between seller and buyer organizations.

The hidden incentive for unethical behaviours

There is also some precedent for believing that dilemmas are heightened in impact on the individual executive by perceptions that those who perform ''best'' in the customer-facing role are less likely to be challenged on their ethical standards, than those executives who perform less ''well'' against organizational objectives. There is empirical evidence in the sales area, for example, that there is a general tendency for sales managers to discipline top sales performers more leniently than poor sales performers for engaging in identical forms of unethical behaviour (Bellizzi and Bristol, 2005; Bellizzi and Hasty, 2003). While the proposition has not been tested in the SAM area, these findings provide a relevant insight in how executives responsible for managing buyer–seller relationships may themselves be managed. In this sense, the account executive who achieves considerably higher sales, or the purchasing executive who achieves outstanding cost savings, may face less scrutiny of the behaviours undertaken to achieve these results. The personal risk is that if performance against organizational objectives suffers, then all aspects of individual behaviours may well come under additional scrutiny by management. The incentive is thus placed on continuing and extending behaviours that achieve ''results'', regardless of their nature, to avoid being ''brought to account'' for current and past behaviours. This suggests the existence of a ''slippery slope'' for executives regarding standards of behaviour, from which it may be difficult to exit once momentum takes over.

Corporate self-harm

Finally, there is some concern that SAM strategies may be harmful in a variety of ways to the long-term interests of suppliers themselves. This would suggest that SAM executives are placed in a position, where to meet the responsibilities and goals of their role, they are obliged to undertake actions which are fundamentally harmful to their own companies, and the various stakeholders involved, and they take responsibility for ''corporate self-harm''. This poses a difficult choice for executives – to go ahead with enacting the role they have been given, taking no heed of the possible long-term consequences for their companies, or to incur the organizational unpopularity, and possibly worse personal consequences, by making the case that some SAM activities should be constrained by the long-term interests of the company.

For such reasons, a deontological perspective raises questions about the ''rightness'' of a business model which rests on the willingness of individual executives to take personal risks in breaching organizational policies to perform the job effectively, and to make undertakings to partners in other organizations, knowing that promises may be broken if top management decides to abandon the strategic account relationship in search of other priorities. It appears in some cases that executives are expected to

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manage relational exchange on the covert understanding that ethical foundations may be abandoned by their seniors, when opportunistic behaviour appears to be advantageous. In addition, a teleological perspective suggests that a reputation for bad behaviour in managing inter-organizational relationships may undermine the reputation of the organization and its executives, undermining ability to partner in the future. The ways in which these substantial dilemmas are to be handled provides a major test for the moral and ethical foundations of SAM.

Addressing the dilemmas of SAM

Our concern is that the increasingly widely adopted strategic account management approach to managing buyer–seller relationships is a seriously flawed means to achieve an end which may itself be morally dubious. It arises from the relationship between selling organizations and their most important customers – often very large, powerful customers. The existence of the dilemmas we have identified has been largely ignored or denied in the extant literature. For this reason, a significant enhancement of current practice would involve actions simply designed to leverage perceptions of moral intensity in the management of strategic account relationships. At present, this major area of business concerned with critical buyer–seller relationships appears to exist and operate in a moral vacuum, where policies, actions and their consequences are framed only by relatively short-term economic criteria. We suggest that there are a number of ethical and legal considerations, which should be evaluated concerning the operation of SAM/Strategic supplier relationships.

Further, the responsibility for stimulating an enhanced moral intensity rests with senior management, not with the relatively junior executives tasked with executing strategic account relationships. In particular, there is no reason why stakeholders should not expect the same standards of due diligence and fiduciary duties from top management in managing these new collaborative forms of buyer–seller relationship, as are commonly expected in other governance situations. This would suggest that senior executives should be asked to indicate the ways in which they have examined all aspects of strategic account relationships and to prove that they have not damaged the company and do not pose excessive risks to its survival and value, by virtue of the way in which these relationships have been enacted and managed. Such scrutiny could encompass wide-ranging issues – from the moral and ethical to the economic – allowing stakeholders to make informed judgements regarding the adequacy of management diligence in managing strategic account relationships. While managers may be misled or simply make errors of judgement, for them not make a reasonable effort to recognize the plausible effects of strategic account relationships and their consequences for relevant stakeholders, would appear to be morally unacceptable.

One implication of the deontological perspective is that our goal should be to put in place proper and ethical procedures and processes, which represent moral intentions, rather than only emphasizing outcomes. From this perspective, outcomes may be reasonably be left to take care of themselves, which they will frequently do quite satisfactorily, as long as the means used to achieve them are ethical. It follows from this stance that in establishing SAM/strategic supplier relationships, companies should strive for morally grounded ethical relationships, even though sometimes promises will be broken and market power exercised unilaterally by one or other of the partners. The most important objective may be for management to seek to make SAM a morally defensible process, rather than attempting to change its outcomes.

One starting point would be embracing a degree of openness and transparency in the conduct of strategic account relationships comparable to that required in situations where inter-organizational relationships involve formal mergers or acquisitions or contractual relationships. Generally it appears that strategic account relationships are shrouded in secrecy, conducted with a degree of covertness, and their operations often not fully revealed even inside the companies in question (for example, in terms of information sharing and price concessions). The defence of this lack of transparency is that proprietary and share-sensitive information is at stake, and norms of commercial confidentiality should prevail in considering sensitive relationships with major customers. However, by comparison, mergers and acquisitions involve substantial disclosure and a

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major duty of due diligence, and formal contractual alliances between companies possibly demand something similar.

We should be wary, of course, of substituting a legal or economic dilemma for an ethical one. For example, under U.S. price-fixing laws, it is illegal under some circumstances to communicate pricing information to competitors (which could occur if a supplier publicized price structures to all buyers) (Fontenot and Hyman, 2004). Equally, disclosures which reduce a company's competitiveness by better informing competitors about its strategies may be unreasonable. However, notwithstanding such constraints, there appears little real reason therefore why the existence of ''strategic partnerships'' between buyers and sellers should escape all disclosure requirements, by virtue of appropriate corporate governance rather than external mandate. Indeed, such disclosure should provide a level of detail allowing relevant stakeholders to evaluate the impact of strategic account strategy on their own interests, although clearly there is no guarantee they would do so.

For example, in a strategic account relationship the almost inevitable reality is that the purchaser will know the prices paid by other (usually smaller) customers, though possibly not always those paid by other strategic accounts. On the other hand, it would be rare for smaller customers to be informed of the prices paid by larger, strategic accounts. A governance mandate of transparency for strategic account relationships would suggest that buyers and sellers would declare openly prices being paid, so that they are known to all relevant stakeholders. Indeed, this would potentially also expose whether the lower prices paid by strategic accounts do actually reflect economy of scale (which is probably unobjectionable), or whether they are the product of the use of market power by the large customer (a matter of considerable concern to smaller customers who consequently pay higher prices, as well to shareholders who might question the attractiveness of allowing the majority of customers to effectively subsidize the largest customers). There appears a compelling case that enhanced transparency surrounding strategic account relationships would help to reinforce an ethos of ethical behaviour by executives.

There might also be appeal, given the strategic significance of large customers to suppliers, in providing a simple ethical framework for managers to consider. Here we draw on the recent work of Plender and Persaud (2006), who propose that developing an ethical culture surrounding a corporate issue may be approached more effectively by senior managers routinely asking probing questions about the nature and consequences of decisions being made, than by adopting formalized and complex ethical guidelines that reduce business ethics to a ''box ticking'' exercise. In the area of SAM and strategy, such interrogation might take the form of such questions as the following:

- Who are all the people affected by the strategic account relationship with this customer – employees, managers, shareholders, competitors, other third parties, and the wider community and environment?
- Does this customer relationship actually or potentially cause harm to any of those affected, beyond the acceptable effects of fair competition? Are there reasonable things we can and should do to avoid or compensate for this harm?
- Has our behaviour been deceptive? Would you regard it that way if you were in any of the other stakeholder's positions?
- Are there disguised conflicts of interest between parties to the strategic account relationship, shareholders, and those affected by the customer relationship?
- If everyone behaved in the way we are behaving, what would happen? If harm would result from everyone treating customers, third parties and shareholders as we are doing, should we refrain from continuing this customer relationship in its current form? Adapted from Plender and Persaud (2005).

In addition, such questions should be incorporated in the training and development of executives for SAM positions, and be addressed in personal appraisals. It has been suggested that in addition to the role of codes of ethics and ethical policies to promote ethical practice, one major impact on

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achieving ethical standards in marketing can be achieved by encouraging executives to consider the importance of ethics as a determinant of business success (Singhapakdi, 1999). Asking questions becomes more significant if the questions are perceived to address issues which are truly important to executives.

However, while advances may be made through greater transparency and designing training and development activities that help executives to identify ethical issues in the situations they face, and to develop appropriate ethical responses, as well as designing evaluation and compensation plans that motivate and reward ethical behaviour (Roman and Ruiz, 2005), this does not address the proposal that organizational conduct relies on top management leadership. Indeed, one argument in marketing suggests that because of its importance ethics should be made an explicit and integral part of the strategic planning process (Robin et al., 1987; Wotruba, 1990).

In the broader terms of developing appropriate governance mechanisms for new type of buyer–seller relationships, Daboub and Calton (2002) underline the importance of emerging frameworks, such as: (1) global corporate citizenship, emphasizing the links between financial performance, social performance, sustainability and environmental performance, to address the claims and rights of all stakeholders (Waddock, 2002; Wood and Logsdon, 2002); (2) the integrated social contracting theory of economic ethics, concerned with generating ethical norms appropriate to particular economic groupings, for example in the form of specific corporate to industry-wide codes of ethics (Donaldson and Dunfee, 1999); and, (3) stakeholder learning dialogues, as a way of handling complex, interdependent and awkward problems, involving the social construction by shareholders of a trust-based form of governance (Daboub and Calton, 2002). Approaches of these kinds provide mechanisms for addressing ethical concerns across partnered organizations, but also involving business leaders as well as more junior executives.

Certainly, Daboub and Calton provide an optimistic point to conclude. They underline the potential for developing relationships and culture for new organizational forms, such as buyer–seller collaboration, that are not only functional in delivering business success, but are also consistent with legal and ethical norms. They stress the goal of governance that includes the voices of all stakeholders, particularly those with legitimate moral claims, but without the power to establish those claims.

Conclusions

Our focus here has been on the relationships between suppliers and very large, often situationally powerful customers, which are frequently institutionalized in SAM systems. The ethical and moral issues implicit in such relationships have been largely ignored by the literature pertaining to ethics in marketing and selling activities, perhaps because of the newness of the SAM approach, and perhaps because of the somewhat different scope of the model. In particular, strategic account management is founded on the goal of a collaborative, partnered relationship between buyer and seller based on joint planning and decision making in the value chain.

First, we question the moral attractiveness of a business model which favours the few (large customers) at the expense of the many (smaller customers, shareholders, third parties). Indeed, the relationships formed may even move into the forms of anti-competitive behaviours which are unlawful. The morality of business decisions being made on the basis of the unbridled use of bargaining power by buyers, and the consequent concessions from suppliers, with scant regard to the harm caused to others appears questionable. The evidence suggests also that those entering into such relationships should be aware that implied promises of loyalty and partnership may be an illusion, suggesting that economic consequences may also be unattractive.

Secondly, we also considered the consequences of strategic account management relationships between suppliers and their large customers, albeit that some of those consequences may have been unintended. We suggest that the more harmful consequences of strategic account relationships appear to be neglected or perhaps unimagined by those establishing this type of business model. Whether those (unintentionally) harmed are employees, managers, competitors or society at large, there appear to be major

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ethical concerns about a business model which produces such consequences. Thirdly, we examined the potentially unfair and harmful impact of SAM on executives responsible for the implementation of this strategy, concerning primarily the potential for hidden incentives for unethical behaviour.

We suggest that the ethical and moral dilemmas in strategic account management approaches, and more generally in the relationships between suppliers and large customers, should be made more explicit, i.e. that management should make efforts to heighten the moral intensity surrounding these relationships. The ethical climate of strategic account relationships could also be enhanced by far greater transparency and openness and the pursuit by management of basic questions of fair and ethical conduct with those executives responsible for strategic account relationships. Progress could be made by recognising moral and ethical issues in the training and development of executives for these management roles, as well as reflecting ethical standards of behaviour in evaluation and reward approaches. However, the underlying issue is more broadly about developing governance systems which address the impact of increasingly common inter-organizational business models on all stakeholders in the value chain, and which address issues of ethical and moral behaviour as well as economic interests.

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Nigel F. Piercy and Nikala Lane
Warwick Business School,
The University of Warwick,
Scarman Building, Gibbett's Hill Road,
Coventry, CV4 7AL,
U.K.
E-mail: Nigel.Piercy@wbs.ac.uk

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