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The importance of the bank-SME relationship in the economy

Financial institutions and their customer relationships have long been a source of interest and concern in both academia and practice. Authorities and policy makers appear to be particularly interested, as evidenced from the attention paid by British authorities (Financial Services Authority, 2007; Llewellyn, 2005), Swedish authorities (Svensk författningssamling, 2003; Statens Offentliga Utredningar (SOU), 2002) and the European Commission (2007), for example. In the United Kingdom, the Financial Services Authority is urging financial institutions to provide better services and advice to customers through its ‘treating customers fairly’ initiative (Financial Services Authority, 2007; Llewellyn, 2005). Similarly, financial institutions in Sweden are monitored by the Swedish Financial Supervisory Authority to ensure that they comply with the recently enacted financial advisory law (Svensk Författningssamling, 2003). The relationship between banks and small and medium-sized enterprises (SMEs) has been of special interest to the European Commission, especially since the Lisbon Agenda outlines that SMEs are the primary source of future growth in the European Union (EU). The European Commission (2007) sponsored the Fifth Roundtable in an effort to increase the mutual understanding between banks and SMEs and to strengthen the relationship between the two parties. Among others, this roundtable of SMEs and bankers strongly recommended that banks enhance their adaptability.

The growing interest in the nature of the bank-SME relationship should be of no surprise for SMEs employ 70 percent of the workforce in Europe (Coelho-Rodriguez, 2001). Consequently, they are recognised as increasingly important to the economic growth of the economy. SMEs are dependent on the relationships they have with their financiers (Carey and Flynn, 2005; Berggren, 2002), with the large majority predominantly dependent on bank financing (European Commission, 2007; Wilson, 2004; Norton, 2003; Berger and Udell, 1998; Binks and Ennew, 1996). However, banks and SMEs frequently experience relationship difficulties. According to reports provided by some of the representative bodies of small businesses, dissatisfaction exists amongst SMEs regarding their banking relationship. For example, a bank report, titled ‘Private businesses and their banks 2000’, from the Forum of private business (FPB) indicated a decline in the overall performance of banks, particularly in the quality of bank services of most importance for customers (as cited in Binks et al., 2006). The Competition Commission in the United Kingdom also released a report that was highly critical of banks’ treatment of their SME customers (as cited in Ashton
and Keasey, 2003). Although the final report of the Fifth Roundtable of bankers and SMEs indicated that bank-SME relationships have improved, large problems still remain (European Commission, 2007). Hence, representative bodies of SMEs and policy makers urgently call for the cultivation of better relationships between banks and SMEs and, among others, increased levels of adaptation and fairness exhibited by banks.

**Theoretical problem setting**

From the perspective of universal banks, SMEs are considered one of their most important customer groups (Lam and Burton, 2006; Ennew and Binks, 1996; Zineldin, 1995; Bannock and Doran, 1991). It is argued that by developing close relationships with their SME customers and by creating satisfied and loyal customers, banks can increase their profits. Moreover, research has shown that SMEs engaged in a close banking relationship were less likely to switch to another bank (Butler and Durkin, 1998; Paulin et al., 1998) and were less price sensitive than those customers who characterised their banking relationship as short termed and distant in nature (Zineldin, 1996).

SMEs also tend to profit from developing close relationships with their banks. The main advantages associated with developing strong relationships with their banks include greater access to credit and other financial services, more tailored services and lower interest rates on loans (Butler and Durkin, 1998; Berger and Udell, 1995). Hence, maintaining longer banking relationships can alleviate the financial problems faced by SMEs (Han, 2008; Voordeekers and Steijvers, 2006). However, many SMEs find it difficult to develop close relationships with their banks and thus to obtain financing, in particular if they lack a history, if uncertainties exist regarding their businesses or if they do not possess a developed business plan (Petersen and Rajan, 1994). Furthermore, the SMEs often feel inferior in their banking relationships and frequently complain that their banks do not want to adapt to their specific needs. The bank-SME relationship is an interesting area of study in terms of bank-customer relationships because of the difficulties associated with trying to standardise services for SME customers. Because of its importance and complexity, the bank-SME relationship warrants investigation and is thus the focus of this thesis.

Relationships are composed of many different dimensions, with satisfaction considered an important one. A number of recent studies on the bank-SME
relationship have specifically examined this topic (Madill et al., 2002, 2007; Bloemer et al., 2002; Zineldin, 1995). Armstrong and Boon Seng (2000) found that bank relationship management has both a direct and indirect impact on customer satisfaction. Madill et al. (2007) argued that satisfactory relationships with SME customers can result in higher satisfaction amongst those customers. Moreover, customer satisfaction is positively related to customer loyalty and retention in the bank-SME relationship (Bloemer et al., 2002; Armstrong and Boon Seng, 2000). Accordingly, satisfied customers are more likely to concentrate their business with one bank and tend to be more committed to that bank, which in turn results in better relationships. Hence, customer satisfaction and relationship management have been frequently studied in the bank-SME relationship. In this thesis, customer satisfaction, a key factor in the long-term profitability of a bank, is consequently analysed in the bank-SME relationship. Indeed, the relationship between customer satisfaction and financial performance has been repeatedly confirmed in research (Gruca and Rego, 2005; Wiele et al., 2002; Hallowell, 1996). Szymaski and Henard (2001) argued that customer satisfaction generates positive word-of-mouth communication, and Mittal et al. (2005) contended that customer satisfaction has a direct impact on cash flow. Moreover, customer satisfaction is a major selling point for banks in Sweden. Banks that attain the highest ranks advertise their ability to generate customer satisfaction as a major achievement (SKI, 2008).

Adaptation is a key concept in marketing theory and is considered an important strategic issue for firms that develop long-term relationships with their customers (Woo and Ennew, 2004; Brennan et al., 2003). Indeed, banks pursuing success in the SME segment need to consider how to adapt to the needs of their SME customers (Heckl and Moormann, 2007; Ahmad and Buttle, 2001). Accordingly, Adamson et al. (2003) argued that SME customers expect their banks to be customer centred. Similarly, Paulin et al. (2000) concluded that SME customers want customised services and financial advice. Hence, the satisfaction of SMEs with regard to their banking relationship is proposed to be highly dependent on the banks’ ability to adapt to their SME customers. Consequently, the ability of banks to adapt to their SME customers and its influence on customer satisfaction are analysed in this thesis. Adaptation is analysed from a relationship perspective, meaning that the banks’ conception—as well as that of the SMEs—of the banks’ ability to adapt to their SME customers is taken into consideration.
The term *fairness* has also been recognised as an important strategic issue for financial firms (Edwards, 2006; Llewellyn, 2005; Holbrook Jr. and Kulik, 2001). The aim of fairness is to make the customers feel that they are treated fairly in the relationship. More specifically, fairness is about making their customers feel that they are receiving good value for money by delivering the right products and by treating them openly and with respect and courtesy. Indeed, according to Holbrook Jr. and Kulik (2001), customers are more likely to develop enduring relationships with firms that encourage their employees to treat their customers fairly. In this thesis, fairness was studied from a customer perspective and was perceived as an impression that SME customers have about their banks. Hence, the SMEs’ perception of being treated fairly by their banks and, more specifically, its impact on the satisfaction of the SMEs were examined.

In view of the abovementioned considerations, the main research question of this thesis is as follows:

*How do the concepts of adaptation and fairness influence customer satisfaction in the bank-SME relationship?*

This is indeed an important question because authorities and policy makers are, in general, pushing banks to increase their levels of adaptation and fairness in their treatment of their customers. The Financial Services Authority (2007) has initiated, facilitated and continued to develop the concept of fairness in the financial services industry in order to maintain efficient markets. In addition, SME customers seem to be particularly dissatisfied with their banks’ inability to understand and to adapt to their specific needs (Bick *et al.*, 2004; Harrison, 2001; Butler and Durkin, 1998). There is consequently an increasing need for analysing banks’ ability to treat their SME customers in an adaptable and fair manner; and how this ability influences satisfaction of the SMEs. The main research question posed by this thesis is depicted in Figure 1.
**Purpose of this thesis**

This thesis seeks to contribute towards a better understanding of the bank-SME relationship. More specifically, this thesis reports the findings of empirical research analysing the influence of adaptation and fairness on customer satisfaction. Customer satisfaction in the bank-SME relationship has been a subject of interest in academia and practice for a long time. However, few studies have specifically focused on how customer satisfaction in the bank-SME relationship is affected by the banks’ ability to adapt to their customers’ needs and to create fairness.

Fairness is a concept that has gained increased attention in the financial industry. Indeed, banks and other financial institutions are encouraged by authorities and policy makers to develop relationships in which customers feel that they are treated fairly. However, there is limited empirical research examining this concept and more specifically, the effect of the fairness construct on customer satisfaction in the bank-SME relationship. There is also a need to analyse further the extent to which banks are able to adapt to their SME customers’ specific needs. Because SMEs are argued to be profitable customers for banks, the banks should adapt to their SME customers’ needs, according to marketing theory. However, banks have been criticised as being too standardised in their approach when dealing with SME customers. This finding is further expanded upon in this thesis and is related to the concept of customer satisfaction.
The purpose of this thesis was to increase the understanding of adaptation and fairness on customer satisfaction in the bank-SME relationship.

In so doing, this thesis increased the financial industry’s understanding of the importance of treating its SME customers in an adaptable and fair manner.

**Definition of SME**

An actual consensus regarding what defines an SME has yet to be reached. Various researchers have been known to use differing definitions (Storey, 1994). Earlier Swedish research (Davidsson, 1989) defined SMEs as independent firms with 200 or fewer employees. When conducting surveys, the SME definition is commonly based on a measure of size, such as the number of employees or turnover. Even though measures other than the number of employees have been used in previous studies, this thesis defines an SME as a privately owned Swedish firm with up to 200 employees — a definition in line with contemporary research on SMEs conducted in Sweden as well as abroad (Cressy and Olofsson, 1997; Storey, 1994; Wiklund, 1998).

**Theoretical frame of reference**

For a long time, marketing literature has assumed a transaction orientation in exchange relationships. Taken to its extreme, this transactional philosophy is characterised by short-term exchange events with distinct beginnings and endings, often involving small investments by both firms and customers (Webster, 1992; Dwyer *et al.*, 1987). Transactional marketing relies on arm’s-length exchanges with minimal personal relationships and no obligation of future exchanges. However, interest in the nature of relationships increased in the 1980s, especially in business-to-business marketing. Consequently, there was a shift from transactional patterns of exchange to relational-oriented exchanges in the marketing literature. For example, the theory of relationship marketing (RM) was developed as an alternative to the established view of transactional marketing because many exchanges, particularly in the service industry, were perceived as being relational in nature (Grönroos, 1994; Gummesson, 1994; Dwyer *et al.*, 1987). The International/Industrial Marketing and Purchasing (IMP) Group developed a conceptual framework of relational exchanges in a business-to-business context. The research conducted by the IMP Group resulted in an empirically grounded interaction model, in which the firm-customer relationship is considered to
be complex and long lasting. Hence, in contrast to a transactional exchange, a relational exchange encompasses, amongst other things, long-term relationships, customer focus, flexibility and adaptation to customers’ needs (Pillai and Sharma, 2003; Morgan and Hunt, 1994).

The evolving bank-SME relationship

Scholars have expounded on the value of banks adopting long-lasting and close relationships with important customers. Tyler and Stanley (2002) recognised that successful exchanges between banks and their SME customers depended on the existence of a close and personal relationship between the parties. In addition, a close working relationship can give rise to efficiency in action, reliability, cooperation and effective communication between the parties involved. Berger and Udell (1995) argued that bank financing should involve the cultivation and maintenance of long-term relationships as a means of overcoming the asymmetric information problem that often prevails in relationships with corporate customers. Proença and de Castro (2006) contended that banking business is not a matter of one discrete episode; rather, it is more often a continuous interactive deal between the bank and the customer, which covers a ‘non-ending’ string of transactions. Thus, bank-customer relationships should not end at the door of the bank. Consequently, a shift from a transaction orientation to a long-term relational interaction is expected to occur in the financial services industry, particularly in the corporate banking industry (O’Donnell et al., 2002; Tyler and Stanley, 2002; Zineldin, 1995).

Proença and de Castro (2006) argued that financial service relationships result from interactions. Both financial institutions and their customers are assumed to be actively involved in the interaction process by engaging in the relationship through their behaviours and policies. Likewise, Zineldin (1995) viewed the marketing of banking services as an interaction process between a bank and its corporate customers within a certain environment and atmosphere. By interacting with customers, banks are able to obtain necessary information about their customers. The information obtained can indeed help a bank meet its customers’ needs and requirements—which is especially important when serving business customers, who are often described as unique with individual demands. Consequently, during the interaction process, firms learn about their customers’ needs, values, usage habits and expectations. By learning more about their customers, banks can more easily convince their customers that they
have made the right choice. Some studies have also indicated that most corporate customers still prefer human interaction with their banks, despite the fact that the banking industry has undergone a technological revolution (Curry and Penman, 2004; Paulin et al., 2000).

The concept of customer satisfaction

Grönroos (1990) stated that the perceived satisfaction and quality of a service have a functional dimension (process) and a technical dimension (outcome), where the functional denotes ‘how’ in the customer-seller interaction and the technical relates to ‘what’ in the actual service provision. In banking, the technical dimension can be referred to those aspects that influence the ability of banks to offer high quality and effective financial products. These factors, consequently, concern the perceived function and system of a bank organisation. The functional factors refer to the behavioural attitudes of the individuals when interacting with customers. Evidence supports the notion that quality and satisfaction of service are concerned not only with the technical dimension but also with the functional dimension (Kang, 2006; Lassar et al., 2000; Reichel et al., 2000; Lehtinen and Lehtinen, 1991). Hence, the technical and functional dimensions of services have been found to be important predictors of customer satisfaction in the bank-SME relationship.

Customer satisfaction is increasingly becoming an important strategic issue for most firms that strive for customer retention and loyalty. Earlier studies suggest a positive relationship between customer satisfaction and financial performance (Gruca and Rego, 2005; Homburg et al., 2005; Hallowell, 1996). Indeed, previous research about bank-SME relationship indicate that because of the positive relationships amongst customer satisfaction, loyalty and retention, ensuring customer satisfaction has become an essential task for most banks. Accordingly, a number of research studies investigating the bank-SME relationship have suggested that the more satisfied customers are, the higher the probability they will remain customers and the greater likelihood they will have repurchase intentions (Bloemer et al., 2002; Armstrong and Boon Seng, 2000; Patterson et al., 1997). In addition, Aldlaigan and Buttle (2005) argue that those customers who are very satisfied usually provide customer referrals for their bank. Customer satisfaction holds an additional attraction for banks in relation to their employees. According to Homburg and Stock (2004), a positive relationship exists between the job satisfaction of salespeople and customer
satisfaction. Indeed, Ting (2006) argued that customer satisfaction is essential for the long-term competition of banks.

**The concept of adaptation**

Conventional wisdom in marketing theory holds that the competitive success of firms in business markets is highly dependent on their ability to make changes and adapt to change, particularly in accordance with the needs of their important customers (Woo and Ennew, 2004; Brennan et al., 2003; Hallén et al., 1991). Brennan et al. (2003), who suggested that adaptation comprises a diverse range of actions by firms, defined adaptation in dyadic relationships as ‘behavioral or organizational modifications at the individual, group or corporate level, carried out by one organization, which are designed to meet the specific needs of one other organization’ (p. 1639). Thus, the authors argued that not only firms need to make changes at the organisational level but also individual employees need to adapt their behavioural attitudes in accordance with the customers’ circumstances. By contrast, Canning and Hanmer-Lloyd (2002) suggested that ‘adaptation can be seen as a coordinated effort between two parties that consists of a repeated series of information exchange, negotiation, commitment and execution phases’ (p. 628). Hence, it is important that the parties involved are able to communicate each other’s expectations and expertise and resources necessary in the process. Moreover, firms in relationships must develop a common understanding of the nature of the problems and possess the ability to find a solution to which they both agree. Thus, adaptation can be seen as the process of modifying resources and the ways of operating so as to benefit more from a relationship.

Ahmad and Buttle (2001) considered adaptation to be a useful strategy for firms striving to obtain customer satisfaction and to develop long-term relationships with their customers. Adaptation is perceived as an investment from one or both of the parties involved, and a failed relationship is, therefore, seen as a wasted investment that a firm can seldom afford (Brennan et al., 2003). A firm that cannot adapt to the specific needs of its customers will consequently encounter difficulties in developing beneficial partnerships with its customers. Schindehutte and Morris (2001) reported that firms with higher levels of adaptation have higher sales revenues and were more profitable than those firms that were unable to make changes in accordance with the needs of their customers.
In a relationship context, customers—not products—are put at the centre of marketing (Grönroos, 2004; Gummesson, 1996). Although it is preferable that both parties adapt mutually to each other’s needs, it is still the main responsibility of the firms to adapt to the needs of their important customers. According to Grönroos (2002), it is the customers (not the selling firm) who ultimately decide whether a relationship exists or not. Consequently, a prominent feature of a relationship concerns the ability of firms to identify and adapt to the needs of their important customers (Woo and Ennew, 2004; Turnbull et al., 1996). Indeed, research conducted in a banking context has consistently demonstrated that customers desire relationships with their banks that are adaptive to their specific needs (Lam and Burton, 2006; Aldlaigan and Buttle, 2005; Farquhar, 2004; Adamson et al., 2003). More specifically, it is argued that bank customers expect their banks to understand their specific needs and to be able to offer them services that satisfy those needs. Moreover, they want to do business with a seemingly individualistic bank officer who appears to be as flexible as anyone else in their environment. SMEs consequently do not appreciate doing business with bankers who are more focused on selling the bank products and whose decision-making procedures are mainly based on the availability of their collateral (Harrison, 2001; Binks and Ennew, 1996).

The concept of fairness

Research on fairness in a service context has focused on organisational efforts to recover from service failures. In these research studies, the conceptualisation of fairness has been mainly based on the theory of justice or equity theory (Hocutt et al., 2006; Mattila, 2001; Maxham, 2001). From an equity theory perspective, the satisfaction of customers is thought to increase as firms recover from their failure in a fair manner (Maxham, 2001; Andreassen, 2000). Essentially, equity theory is based on the notion that parties involved in an exchange will feel that they are being treated fairly if the amount of input they contribute in the exchange is in balance with the output of the exchange. From the customers’ perspective, it means that customers who obtain what they deserve based on their input will feel that they are treated fairly and are, thus, more satisfied (Andreassen, 2000).

In the theory of justice, it is argued that customers evaluate firms based on three factors: distributive fairness, interactional fairness and procedural fairness (Hocutt et al., 2006; Sparks and McColl-Kennedy, 2001). Distributive fairness refers
to the perceived fairness of the outcomes and, more specifically, to the ability of firms
to provide appropriate products and/or services based on the promises given to
customers (Mattila, 2001). Procedural fairness refers to the perceived fairness of firms’
policies and rules by which the management of customers is carried out (Holbrook and
Kulik, 2001). Interactional fairness focuses on the way customers are treated
throughout the service delivery process. Employees, especially those who meet with
customers, play a key role in creating a sense of fairness in interactions with customers
(Sparks and McColl-Kennedy, 2001; Bowen et al., 1999). In both the theory of justice
and equity theory, the term justice is used; however, this term has a legal meaning.
Therefore, the term fairness is more appropriate in a service management context.

In a marketing context, Grönroos (1998) highlighted the same ideas of
fairness by using the concepts of technical and functional dimensions of service
management. According to this view, fairness is not solely about delivering the right
product and/or services. It also entails how customers are treated in the delivery
process and the flexibility of the firm’s practices, policies and personnel (Grönroos,
1990). Hence, the concept of fairness mainly involves the creation of confidence in
products and services as well as the manner in which the services are delivered to
customers (Llewellyn, 2005; Fulk et al., 1985).

Fairness has recently been recognised as being particularly important for
financial firms in their customer relations. One of the objectives in the regulation and
supervision of financial markets is to enhance confidence in financial institutions and
in the financial systems (Masciandro et al., 2007; Grunbichler and Darlap, 2003;
Hasan and Severiens, 2001). In the United Kingdom, the Financial Services Authority
(2007) is promoting the ‘treating customer fairly’ (TCF) initiative to encourage
financial institutions to treat their customers fairly and openly. Researchers have
picked up this term and have further developed the concept of fairness. According to
Llewellyn (2005), the key to fairness is confidence in practices that, from the
customers’ perspective, remain unseen. Bank organisations that employ fairness in
their strategy are assumed not only to provide their customers with high quality and
effective financial products but also to encourage their employees to be flexible and
responsive to their customers. Hence, fairness is as much about employee behaviours
and approach as systems and controls. The concept of fairness captures the customers’
perception of how credible and professional the organisation is and makes them feel
that they are getting good value for their money (Aldlaigan and Buttle, 2005; Van den
Bos et al., 1997).
Adaptation, fairness and customer satisfaction

Customer satisfaction has been described in terms of to what extent the customers’ expectations are met (Oliver, 1980). More specifically, customer satisfaction is considered the emotional reaction to the difference between the expectations of customers and what they actually receive (Zeithaml and Bitner, 2003; Bebko, 2000). The confirmation-disconfirmation paradigm is based on this notion (Eklöf and Westlund, 2002; Anderson and Fornell, 2000; Yüksel and Rimmington, 1998). According to this approach, positive disconfirmation that leads to customer satisfaction occurs when perceived performance exceeds expected performance. Several researchers have stated that customers expect firms to be able to meet their needs. In other words, customer satisfaction can be defined as the ability of firms to adapt to their customers’ needs (Ball et al., 2006; Babakus et al., 2004; Anderson et al., 1994). Indeed, studies conducted recently on the bank-SME relationship have indicated that SMEs reward flexible banks with higher satisfaction levels (Adamson et al., 2003; O’Donnell et al., 2002). In particular, SMEs reward banks for taking an interest in their businesses and in the industry in which they operate (Ahmad, 2005; Proença and de Castro, 2005).

Although mostly used in the study of service failure and service recovery, fairness is an important consideration for firms—not only during the service recovery process but also in their daily interactions with their customers. All customers want to be treated fairly in their relationships with a firm; thus, fairness should be viewed as an important issue in the development of a relationship, rather than just a service recovery effort. Because of the intangible nature of services, fairness is considered particularly important for service firms. Services are difficult for customers to evaluate prior to purchasing; therefore, they have to trust a service firm to deliver on its promises. Thus, the concept of fairness has been recognised as an important strategic issue for most service firms in enhancing customer satisfaction and in strengthening customer relationships (Edwards, 2006; Llewellyn, 2005; Bowen et al., 1999). Indeed, several research studies have indicated that positive relationships exist amongst fairness, customer satisfaction and loyalty (Hocutt et al., 2006; Holbrook and Kulik, 2001; Maxham, 2001).
Other concepts used in this thesis

Although this thesis focused mainly on the concepts of adaptation, fairness and customer satisfaction, other related theoretical concepts were considered:

*Transparency/opaqueness* (see paper 2)
The terms transparency and opaqueness were used examining the likelihood that banks understand the business networks of their SME customers. An easily understood and assessed network can be termed a transparent network; by contrast, an opaque network is often difficult for banks to penetrate. By this definition, opaque firms are engaged in products or in markets that are hard to analyse because of the existence of interdependencies that are unknown or are difficult to transfer. Hence, banks have far more difficult to understand and, thus to adapt to SMEs with opaque networks.

*Cognitive incompleteness/cognitive incongruence* (see paper 3)
Cognitive incompleteness refers to the incomplete understanding of a firm’s means-end framework and cognitive incongruence refers to a disagreement concerning a firm’s means-end framework (Zander, 2007). In the bank-SME relationship, a case of cognitive incompleteness exists when the bankers are perceived as unable to understand their customers’ specific businesses, and cognitive incongruence exists when the bankers and the SME owners disagree on the potential of the firm.

*International entrepreneurship* (see paper 3)
International entrepreneurship —defined as a combination of innovative, proactive and risk-seeking behaviours that crosses national borders and is intended to create value in organisations (McDougall and Oviatt, 2000)—was taken into consideration as a way to analyse the ability of banks to adapt to a specific type of SME group (international entrepreneurial (IE) firms), which indeed requires a high degree of particularity.

*Technical- and functional dimensions of service management* (see paper 6 and 7)
Grönroos (1990) defined customer-perceived service quality based on two dimensions: the technical dimension, which refers to ‘what’ the customers are provided, and the functional dimension, which denotes ‘how’ customers are treated in the relationship. In this thesis, the technical and functional dimensions of service management are related to fairness in that customers’ perception of fairness greatly depended on the
ability of banks to provide them with products and services (based on the promises given) and to meet them with respect and courtesy.

*Corporate image* (CI) (see paper 4)  
The concept of CI, which is defined as the overall picture of an organisation, emphasises the feelings, beliefs and impressions that various stakeholders have about a firm (Alvesson, 1998; Van Heerden and Puth, 1995; Dutton and Dukerich, 1991). Because CI takes into consideration the technical and functional dimensions of service management, it is also connected to the fairness construct. Thus, the image of a bank as perceived by SMEs is influenced by the ability of the bank to make their SME customers feel that they are treated fairly in the relationship.

**Methodology**

Sechrest and Sidani (1995) argued that whatever method is used, it is probably associated with some type of error, and the direction of that error is difficult to know. Therefore, using multiple methods to measure the same phenomenon is desirable in research. According to Yin (2003), qualitative research methods are the best methods to use when analysing complex phenomena. Qualitative study often provides in-depth, detailed information about the research object because the respondents are able to express their understanding in their own words (Hannabuss, 1996). By contrast, employing quantitative methods offers the possibility of testing hypotheses on a larger sample and making statistical generalisations in a highly economical way (Saunders *et al.*, 1997). Hence, combining methods with complementary strengths is considered advantageous in research (Yin, 2003; Birnberg *et al.*, 1990). By using multiple methods, researchers can capitalise on the strengths of the methods as well as deal with the weaknesses of each method. Thus, a combination of qualitative and quantitative methods has been used in this study to investigate the research problem of this thesis (see Table 1).
An exploratory study approach was considered an appropriate first step in conducting this research study because the research question was not fully established at the outset. Adopting this type of approach was also preferable because of the degree of complexity believed to be inherent in the bank-SME relationship. Indeed, Saunders et al. (1997) argued that exploratory study, conducted through interviews, is an appropriate method to use when the specific variables are unknown. During the exploratory phase, in-depth interviews were conducted. Prior to and during the interview process, a literature review was performed, which provided additional knowledge regarding the bank-SME relationship and, in turn, facilitated the interview process.

From the rich and detailed information gained during the interview process, several interesting variables were identified that could be used to analyse the nature of the relationship between banks and SMEs. The fairness construct and the adaptation concept were found to be particularly important in the bank-SME relationship. This type of approach helped to narrow the scope of the research, from which a feasible research question could be posed.

Several hypotheses were generated from the knowledge acquired from the interviews and the literature review. They were then tested by distributing survey questionnaires to a larger sample of SMEs (quantitative method). The main reason for utilising the survey method was to draw a representative sample from the population so that the results obtained could be generalised to the population. The questionnaires were used for explanatory research. The relationships amongst the variables found to be important in the bank-SME relationship in the qualitative study were examined and analysed using survey questionnaires. More specifically, a quantitative method was employed to examine the influence of adaptation and fairness on customer satisfaction in the bank-SME relationship.
The qualitative study: the Norrtälje project

The qualitative data presented in this thesis originated from a larger research project (which eventually became known as the Norrtäljeprojekt) in which the relationship between SMEs and the surrounding system of local actors was investigated. More specifically, the purpose of the research project was to analyse the effect of local support (such as banks, auditors and local politicians) on the development of SMEs. The banks’ role in the development of SMEs was of particular interest in the research project and is the focus of this thesis. The project was originally initiated in the autumn of 2002 in Norrtälje, a small municipality of about 50,000 inhabitants, which is located approximately 1 hour’s drive north of Stockholm. The business life in Norrtälje consists of a large number of small firms in different industries, of which the majority are started mainly to serve the local markets. There are three banks located in Norrtälje: Roslagens Sparbank, Nordea and Handelsbanken. Roslagens Sparbank, a local savings bank that was established in 1859, is geographically limited to the municipality of Norrtälje. Roslagens Sparbank establishes its own conditions for lending but cooperates closely with Swedbank, one of the major banks in Sweden, by using parts of its IT-system and bank processing. Nordea and Handelsbanken represent the two main banks in Sweden. Roslagens Sparbank, which has about 16 employees who work with corporate customers, is considerably larger than the other two banks in Norrtälje. Nordea employs about 5 people who work with corporate customers and Handelsbanken has 4 employees who work as business advisors in Norrtälje.

The Norrtälje project is a cooperation involving researchers from the Centre for Banking and Finance (CEFIN), local banks and representatives from the local industry and government. Our research team comprised four individuals (Associate Professor Lars Silver, Assistant Professor Björn Berggren and Ph. D. Student Nicolaus Lundahl) whose main roles involved collecting and analysing empirical data and communicating our results to the local representatives. Hence, we researchers worked together in the data collection process. Indeed, as suggested by Eisenhardt (1989), multiple investigators working in teams can improve confidence in findings. Research team members often have complementary insights, which can enhance the creative potential of the study. Within the scope of the Norrtälje project, data were collected from two main sources: interviews and participation in local seminars and meetings with the involved parties in the Norrtälje project. The
interviews were used as the primary source of information, and participation in local seminars helped confirm and strengthen the obtained findings.

**Participation in local seminars**

Within the scope of the research project, seminars and meetings were held with local actors and SMEs. Two different types of gatherings (monthly meetings with a focus group and yearly meetings with a larger group) were initiated. Following the establishment of a focus group, those actors most engaged in the project were invited to attend meetings that were held approximately once a month. The focus group consisted of representatives from all three banks in Norrtälje, local auditors, local politicians and SME owners. A group of researchers from CEFIN also participated in the meetings. About 20 individuals, including our four-member research team, attended these monthly meetings. During these meetings, we communicated the findings of our analyses. In addition to the monthly meetings with the focus group, a larger gathering was established once a year, with about 100 actors participating. During these larger gatherings, the findings of the research project were presented and discussed further.

**In-depth interviews**

There are various types of interview methods. One common way of categorising interviews is based on their level of formality and structure (Yin, 2003). Saunders *et al.* (1997) highlighted three different interview types: (1) structured interviews, (2) semi-structured interviews or (3) unstructured interviews. Structured interviews are based on a predetermined and standardised set of questions. In semi-structured interviews, which are open-ended in nature, respondents are asked to speak rather freely and express their opinions about a matter. However, the respondents are guided by a set of questions to ensure that the issues of special interest are addressed in the interviews. Unstructured interviews are informal and open-ended in nature. In this thesis, interviews were conducted face-to-face and can be regarded as semi-structured interviews. Hence, the respondents were allowed to express their conceptualisation and understanding of the phenomenon studied, but a list of themes and questions (see Appendixes A and B) was used to make sure that the issues of special interest were covered in each interview.
The length of each interview varied from 1.5 to 2 hours. At least two interviewers/researchers were present for each interview and were assigned different responsibilities: One interviewer was responsible for asking the main interview questions, whereas the other interviewer was responsible for asking complementary questions and making notes and observations during the interviews. Most of the interviews were conducted at the respondents’ workplace. In most cases, we were given guided tours of the respondents’ workplace, which provided us with valuable insight into the operations and business activities of the firms. The interviews followed the same format and, whenever possible, were recorded with two different recorders. The interviewers began the interview process by providing a short presentation and explaining the aim of the project. The respondents were then asked to talk about their profession. More specifically, the SME owners were asked to tell their story as entrepreneurs, from the very beginning to this day, and the bankers were asked about their banking careers. Hence, the respondents were allowed to talk about their profession relatively freely. After the respondents had finished telling their story, they were asked complementary questions. For this specific study, various aspects of the relationship between SMEs and their banks were considered important themes and were examined in greater depth. Shortly after the interview, each one was transcribed, resulting in approximately 1200 pages of text.

Selection of respondents

Random sampling is a well-defined and rigorous technique of selecting respondents in a study. However, in a qualitative study, random sampling is neither necessary nor preferable (Eisenhardt, 1989). According to Marshall (1996), researchers have to know the characteristics of the whole population under study when conducting a random sample, which is rarely possible when the phenomenon is complex. In a qualitative study, some respondents are able to provide rich and deep data more so than others, and it is those people who are of the greatest interest to qualitative researchers. Therefore, the selection of a sample in a qualitative study tends to be purposive rather than random (Hill and Wright, 2001). In qualitative research, there are three broad sampling techniques: (1) convenience sampling, (2) judgement sampling and (3) theoretical sampling (Marshall, 1996). In convenience sampling, the researchers select those respondents who are the most accessible. Judgement sampling, also known as purposeful sampling, is a more thoughtful approach than convenience sampling. Based
on the researchers’ understanding of the research area, the most productive sample is actively selected to answer the research question. The theoretical sampling approach is theory driven, which means that respondents are chosen based on the theoretical framework of the study.

In this thesis, the judgement sampling technique was mainly used in the selection of respondents to interview. Hence, respondents in the qualitative study were selected on the basis of several criteria. Bank managers were selected based on their experience and role in the bank organisation. Office managers from all three banks located in Norrtälje were interviewed because they were particularly informative about the banking organisation and their relationship with SME customers.

In the second phase of the data collection process, the judgement sampling technique was combined with the so-called ‘snowball sampling methodology’. In this approach, a few potential candidates are asked to nominate other individuals on the basis of several criteria given by the researchers (Oppenheim, 2003; Saunders et al., 1997; Marshall, 1996). In this research study, the interviewed bank managers were asked to nominate SMEs of potential interest to be interviewed based on the following criterion: The suggested firms had to have been established for a number of years so that the SME owners had some history upon which to reflect. Thus, start-ups were not of interest in this research study. Initially asking bank managers to suggest SME owners to be interviewed ensured that SMEs with banking relationships were chosen.

The main disadvantage of the snowball sampling method is the problem of representativeness (Saunders et al., 1997). In this type of situation, respondents most likely suggest actors they know well and who are similar to them; hence, other groups of interest can be overlooked. Not unexpectedly, the snowball sampling method initially provided us with the names of SME owners who were well known, successful and male. Moreover, we were aware of the risk that bank managers might suggest SME customers whom they knew very well and with whom they had a good relationship. Therefore, in the third phase of the sample selection process, the snowball sampling procedure was initiated from other actors as well. To expand the sample, female entrepreneurs and younger firm owners from a variety of industries were also contacted and interviewed. The same snowball sampling procedures were performed with these new respondents. Consequently, a more diverse sampling of SME respondents from a variety of industries was achieved.
Marshall (1996) argued that appropriate sample size is often achieved when the research question is adequately answered and when new explanations or themes are no longer derived from the data. In this study, the snowball sampling procedure was continually applied until the material was saturated (i.e., no new viewpoints were received from new individuals).

**The respondents**

In the research project, a total of 60 interviews were conducted with SME owners and local actors (auditors, politicians, bank representatives). Of these interviews, 45 were carried out with SME owners and 5 with bank representatives from the three banks located in Norrtälje. The interviews with the SMEs were conducted with the owners of the firm; the majority of these owners were also the ones who had founded the firm. The bulk part of the firms has fewer than 50 employees established in various sectors. In terms of size and business activities, the firms interviewed are a representative selection of the firms in Norrtälje.

Interviews were carried out with the office managers from all three banks represented in Norrtälje. In the local savings bank additional of two interviews (credit manager and marketing manager) were conducted, as it is considerably larger than the other two banks. The office managers interviewed are involved in the decision making process at all levels and they have continuous contact with individual business advisors as well as with customers. Also, the managers interviewed have all been working within the banking industry for a long time and have the experience of working as business advisors. Two of the interviewed managers have working within the bank for more than 30 years and the other three have been working within the bank for more than 15 years.

**Analysis of the interview materials**

Yin (2003) argued that data analysis is the most difficult aspect of conducting qualitative research because of the large amount of information that is gained through qualitative study. Indeed, analysing 1200 pages of somewhat unstructured text was not an easy task. Following the suggestion put forth by Yin (2003), we started the analysis during the data collection process. More specifically, because at least two researchers were present at each interview, one could focus on writing down impressions and asking further questions so as to attain a deeper understanding of some issues.
Furthermore, we found it important to transcribe each interview shortly thereafter so as to decrease the risks associated with depicting a distorted image of what was actually said during the interviews and of forgetting significant parts. As the data collection proceeded, each interview was discussed and analysed by members of the research team, both individually and collectively.

The interview data were read and reread to identify patterns, themes and key concepts. For this specific thesis, the main focus was on finding key themes in the bank-SME relationship. The interview materials were managed by hand. We worked with hard copies and used various coloured pens to mark important themes and concepts. The interview materials were organised along different themes and categories with regard to the bank-SME relationship, of which most of them emerged as we worked with the data. The analysis was an iterative process, which involved referring back and forth between the theoretical framework and the empirical data. Hence, interesting phenomena emerged from the interview materials, which are further elaborated in the different papers presented in this thesis. Table 2 shows the number of interviews chosen in each paper (from a total number of 60 interviews).

<table>
<thead>
<tr>
<th>Interviews</th>
<th>Bankers</th>
<th>SMEs</th>
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<tbody>
<tr>
<td>Paper 1</td>
<td>5</td>
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<td>Paper 3</td>
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<td>Paper 4</td>
<td>3</td>
<td>17</td>
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<tr>
<td>Paper 7</td>
<td></td>
<td>45</td>
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</table>

**The quantitative study**

Two different sets of survey questionnaires were formulated for this thesis: The first set of questionnaires was sent to randomly selected Swedish SMEs; the second set of questionnaires targeted SME customers of a small independent bank in a community in Sweden. The questionnaires were mailed to the respondents along with a letter explaining the aim of the study, the need for this type of study, and a personal
guarantee of their anonymity. The questionnaires were self-administered, which means that the respondents completed the questionnaires by themselves. In addition, the respondents were provided with a self-addressed stamped envelope and were asked to return the questionnaire by post after completion. They were offered a copy of the report from the study.

The first set of questionnaires provided a general picture of the financial situation facing SMEs in Sweden, whereas the second set of questionnaires imparted a specific understanding of how SME customers perceive their relationship with a particular bank and the kind of contribution it provides. These two surveys complemented and clarified the findings of the qualitative study. Both surveys were developed with the assistance of my supervisors and a colleague of mine (Nicolaus Lundahl). The 2003/2004 survey was based on a survey questionnaire that had been previously sent to SMEs; thus, the appropriateness of the questions had been—to some extent—tested prior to conducting the survey.

Survey 2003/2004

In December 2003, survey questionnaires were formulated and sent out to SMEs in Sweden. A total of 1131 questionnaires, which were addressed to the CEOs of the SME firms, were distributed. The stratified random sampling technique was used to obtain a representative sample. Random sampling is one of the most common approaches used when selecting a representative sample in survey research strategy (Saunders et al., 1997). It is believed that the use of random samples provides the best opportunity to generalise the results of a population under study, in which the population is defined and all members have an equal chance of selection (Marshall, 1996). Stratified random sampling is a form of random sampling that allows subgroups to be studied in greater detail. The selected population is divided into a series of relevant strata based on a number of attributes (Saunders et al., 1997), which in some cases makes the sample more likely to be representative. In this thesis, stratified random sampling was believed to be more suitable than random sampling because if a random sample had been made of the entire population of SME firms in Sweden, the smallest firms (those with 5–19 employees) would have dominated the sample. Therefore, the SME population was divided into strata based on their size and industry. Only firms belonging to the manufacturing and business services were chosen. The choice was based on a total population of 15 834 firms belonging to the
manufacturing and professional services sectors. The sample was extracted from three different size classes: 5 to 19 employees, 20 to 49 employees and 50 to 199 employees. This dichotomy was conducted to prevent the group consisting of the smallest firms from dominating the sample. The stratified random sampling of the firms was conducted by Statistics Sweden, which also provided the addresses for the firms.

The survey questionnaires (see Appendix C) were divided into seven subsections that focused on various aspects regarding SMEs’ financial situation and their relationships with different financiers. In this thesis, mainly sections I, IV and VII of the questionnaire were used and analysed. The questions included in the first section asked about several background variables of the firms (e.g., the year that the firm was established, the number of employees and the solidity and turnover of the firm). In the fourth (IV) section, the firms’ financial situation was measured. In this section, the questions mainly dealt with the firm owners’ attitudes and perceptions towards their banks and what kinds of contributions they receive from their banks. The last section (VII) consisted of questions regarding firms’ need for advice. For example, the SME owners were asked whether banks are able to provide them with necessary advice and to contribute to their development. Most of the questions in the survey were structured using the Likert-style rating scale. Thus, the SME owners were asked to rate their perception of the questions on a 7-point scale, ranging from totally disagree (1) to totally agree (7). However, quantitative questions were also included in the questionnaires so as to collect attribute data (e.g., the year that the firm was established, the firm’s solidity and turnover). Some yes/no questions were also asked in the questionnaires.

Response rate and dropout analyses

One month after the survey had been mailed, a follow-up reminder was sent out to those firms that had not yet answered. Of the 1131 questionnaires sent out, 359 were returned, giving a response rate of 31.8 percent. Two dropout analyses were conducted to check for possible biases amongst the respondents. The first analysis compared respondents with non-respondents with regard to size, main industry, start week, strata and municipality code. We could not, however, find any statistically significant differences between the respondents and non-respondents. The second dropout analysis involved using a method put forward by earlier researchers who argued that
late respondents and non-respondents share many of the same characteristics (Armstrong and Overton, 1977). Therefore, the sample was divided into early and late respondents, and the two groups of firms were compared. We were unable, however, to find anything that indicated a statistically significant difference between the two groups.

Survey 2004

The 2004 survey targeted the SME customers of a small independent bank in a community in Sweden. The questionnaires were sent out to a random sample of the CEOs of 476 customers of the above-mentioned bank. The sample was based on the bank’s database of corporate customers and amounted to 8.7 percent of the total corporate customer base of the bank. In an attempt to improve the response rate, we sent out a reminder to the firms that had not answered the questionnaire. A total of 147 questionnaires were returned after the reminder had been sent out, corresponding to a response rate of 30.9 percent.

The questions on the 2004 survey (see Appendix D) were of a close-ended nature, and responses were based on a 7-point Likert scale. Statements were proposed in which the respondents were asked to specify their level of agreement, ranging from totally disagree (1) to totally agree (7). The standardised questionnaire started with questions regarding the SMEs’ background characteristics, such as the year that the firm was established, annual turnover and the number of employees of the firm. The rest of the survey focused on the personal experiences, value and interpretations of the SMEs regarding their banking relationship. More specifically, the survey contained questions related to the SMEs’ perceptions and attitudes of their relationship with particular bank managers and the advice they provide. Hence, most of the questions in the survey concerned the SMEs’ attitudes towards the bank’s ability to solve different problems that arise within the firm and the bank’s competence level in general.

Analysis of quantitative study

In paper 5, LISREL, a structural equation modelling technique, was used to test four hypotheses that were combined into a structural model. The aim was to determine how banks that employ corporate fairness in their strategy are able to generate higher customer satisfaction. LISREL is useful when studying structural relations and tracing latent variables in structural relationships (Jöreskog and Sörbom, 1993; Bollen, 1989).
Using LISREL also makes it possible to measure phenomena that are otherwise impossible to measure by letting observable measures act as indicators of unobservable variables (latent variables). In addition, using LISREL allows correlations in a model to be simultaneously tested and the direct and indirect effects of independent variables on dependent variables to be studied.

In paper 6, an ordinal logistic regression analysis was performed to test six hypotheses regarding the influence of technical and functional dimensions of service management on customer satisfaction in the bank-SME relationship. Performing an ordinal logistic regression analysis is appropriate when the dependent variable is categorical and measured on an ordinal scale (Hair et al., 2006; Pallant, 2005). In logistic regression, it is possible to test models with categorical outcomes that have two or more categories. The independent variables can be categorical, continuous or a mix of both. Hence, logistic regression is an analytic technique of choice for the multivariate modelling of categorical dependent variables. Logistic regression is used to measure how well the chosen set of independent variables explains the categorical dependent variable (Pallant, 2005). Logistic regression is argued to be a robust analytic technique because it is not dependent on multivariate normality and equal variance-covariance matrices across groups.

Regression analysis is one of the most widely used statistical tools for discovering the relationships amongst variables (Saunders et al., 1997). Regression analysis allows researchers to analyse the strength of a relationship between a dependent variable and one or more independent variables. In paper 7, regression analysis was used to relate the transactional and relational dimensions of the bank-SME relationship to the overall level of satisfaction of SMEs with their bank. Figure 2 illustrates the quantitative approach that was adopted in this thesis.
Measures to ensure the quality of this thesis

The criteria of validity and reliability have been commonly used by researchers to evaluate the quality of a research study. Validity is often divided into three different levels: construct, external and internal validity (Yin, 2003). Construct validity refers to the establishment of a sufficiently operational set of measures for the concepts being studied. Internal validity, as it is traditionally known in quantitative research, concerns the development of causal relationships. External validity deals with the problem of determining whether the findings of a study are generalisable. The main objective of measuring the reliability of a study is to ensure that other investigators can repeat the operations undertaken in a study and arrive at the same findings and conclusions (Yin, 2003).

Lincoln and Guba (1985) introduced four alternative constructs that more accurately reflect the assumptions of the qualitative paradigm (as cited in Corley, 2004; Riege, 2003). To verify the trustworthiness of a study, the authors used the
following criteria: credibility, transferability, dependability and confirmability. These constructs are analogous to the concepts of validity and reliability (see Table 3). Credibility involves establishing that the enquiry has been carried out in a way so as to ensure that the findings are ‘credible’ (Riege, 2003). More specifically, it refers to the extent to which the results appear to be acceptable representations of the data. Using strategies such as prolonged engagement, persistent observation, triangulation, peer debriefing, negative case analysis and/or member checking can increase confidence in the findings. Transferability refers to the degree to which the results of a study can be transferred to other contexts (Baxter and Eyles, 1997). It is the responsibility of researchers to provide an adequate database to allow transferability judgements to be made by others. Hence, by providing a solid description of the context and the participants involved in the research, the ability of other researchers to determine whether the findings of a research study can be transferred to another context is enhanced. Dependability refers to the responsibility of researchers to ensure that the research process was logical, traceable and documented. The underlying issue is to show stability and consistency in the process of enquiry (Riege, 2003). Confirmability, which is an assessment of whether the research findings and interpretations are the result of participant bias as opposed to researcher bias (Riege, 2003), is analogous to the notions of neutrality and objectivity. Dependability and confirmability are often achieved through a process of auditing (Tobin and Begley, 2004; Seale, 1999). Auditing is a provision of a methodologically self-critical account of how the research has been conducted. Triangulation can also be used to enhance the confirmability of the research study.

The quality of the research presented in this thesis was evaluated by adopting the criteria of validity and reliability, as well as Lincoln and Guba’s (1985) constructs of credibility, transferability, dependability and confirmability (see Corley, 2004). This course of action was considered appropriate because both quantitative and qualitative methods were used in this thesis. Even though validity and reliability have also been adopted in qualitative research, the criteria put forth by Lincoln and Guba are perceived to be more appropriate in qualitative studies (Riege, 2003).

Triangulation techniques were used to enhance the internal validity and credibility of the findings of this thesis. Information about the bank-SME relationship was collected from multiple sources; in this case, interviews were conducted with bank managers and SME customers. In addition, interviews were conducted with other local actors, such as auditors and local politicians, who helped provide a greater
understanding of the bank-SME relationship. A total of 60 interviews were conducted, which provided rich data of the phenomenon studied. Hence, more than a single source of evidence supported the main conclusions of this thesis. Different research methods (e.g., qualitative and quantitative methods) were employed in this thesis. Whereas the data collected from the interviews provided the key issues that are important in the bank-SME relationship, the survey questionnaires were used to confirm and further elaborate on the findings of the qualitative study. Hence, data collected from the interviews and from the survey questionnaires were used as complementary methods to enhance the credibility of the findings. Different techniques were used to analyse the quantitative data: LISREL, ordinal logistic regression and regression analysis. Another approach that was employed to enhance the credibility of this study was the use of member checking (i.e., the findings of this research study were presented to some of the respondents at seminars and meetings).

To ensure the external validity of the results of this thesis, two surveys were conducted to develop and test the knowledge acquired from the qualitative study, thus producing more generalisable results. In addition, a thorough drop analysis, with no indication of statistically significant differences between respondents and non-respondents, was conducted. A description of the settings in which the study was conducted is provided so that other researchers can assess the potential transferability of the findings of the qualitative research portion of this thesis. A short but careful description of Norrtälje is provided, with special emphasis on the three banks located in the municipality and the business sector in Norrtälje. Interviews with the bank managers and SMEs are also described. To enhance the understanding of the bank-SME relationship and to evaluate the applicability of the results, corporate banking and the specific characteristics of financial services are discussed. Furthermore, the selection of the respondents and inclusion into the sample are described in detail in this thesis.

To increase the reliability and dependability of this study, documentation was maintained throughout the entire research process. Before the interviews were conducted, questionnaires were prepared as an aid to ensure that the issues of special interest were addressed in each interview. Notes were taken during the interviews, and the interviews were, if possible, recorded and later transcribed. Causal relations amongst the different constructs were confirmed using different statistical tools, thus ensuring the internal validity of the results of this thesis. The confirmability of the qualitative data was also achieved through the processes of triangulation and auditing.
The interview data was analysed independently and also in different group combinations.

Table 3 summarises the criteria used to evaluate the quality of this thesis and the methods used to meet the different criteria:

Table 3. The criteria used to ensure the quality of this thesis (based on Lincoln and Guba, 1985; see Corley, 2004)

<table>
<thead>
<tr>
<th>Traditional criteria</th>
<th>Trustworthiness criteria</th>
<th>Methods used to fulfil criteria</th>
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<tbody>
<tr>
<td>Internal validity</td>
<td>Credibility</td>
<td>- Triangulation (sources, methods, analyses)</td>
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<td></td>
<td></td>
<td>- Member checks</td>
</tr>
<tr>
<td>External validity</td>
<td>Transferability</td>
<td>- Detailed description</td>
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<tr>
<td></td>
<td></td>
<td>- Purposeful sampling</td>
</tr>
<tr>
<td>Reliability</td>
<td>Dependability</td>
<td>- Audit (examination and documentation of the process of enquiry)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Mechanical recorded data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Documentation of the process of enquiry</td>
</tr>
<tr>
<td>Construct validity/ objectivity</td>
<td>Confirmability</td>
<td>- Audit (examination of the data, findings, interpretations and recommendations)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Multiple researchers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Triangulation</td>
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</tbody>
</table>

Presentation of the papers

Each of the seven papers included in this thesis contributes to increasing the understanding of adaptation and fairness in the bank-SME relationship and the influence of these two concepts on customer satisfaction. Interviews conducted with bank managers and SMEs are elaborated on and analysed in the first four papers; the remaining three papers are based on survey studies.
**Paper 1  ‘The dyadic bank-SME relationship: customer adaptation in interaction, role and organisation’**

Co-authored with Lars Silver (*Journal of Small Business and Enterprise Development, forthcoming*).

Because adaptation is considered a central feature of working business relationships, it seems warranted to conduct studies of the ability of banks to adapt to their SME customers. In this paper, interviews conducted with bank managers and SME owners were analysed to assess the ability of banks to meet their SME customers’ needs. The analysis involved examining the adaptation measures of banks in relation to the interaction process between banks and their SME customers, determining how the role of bankers is perceived and studying how banks as organisations function. The results indicated that the banks experience difficulties in adapting to their SME customers and that the organisational structure affects the perceived role of the individual bankers and, thus, their ability to adapt to SMEs.

**Paper 2  ‘Banks’ assessment of SME firms’ business networks’**


The aim of this paper was to determine whether banks, in their assessment of SME customers, are able to emphasise the important relationships that SMEs develop in networks. In other words, are banks able to adapt their policies and procedures to their SME customers’ specific circumstances? Banks’ assessment of SMEs was examined by combining the transparency/opaqueness of the SMEs’ business relationships with the grade of the product/market complexity. From the interviews conducted with the SME owners, four cases with differences in grade of product/market complexity were presented. The results of the study implied that banks experience greater difficulty adjusting to SMEs that have complex products and markets because these firms often have more opaque business networks.
Paper 3 ‘Market incongruences in bank-SME relationships: A case study of two international entrepreneurs and their bank’
Co-authored with Kent Eriksson and Lars Silver (revised and resubmitted to *International Journal of Bank Marketing*).

The objective of this paper was to determine whether banks are able to adapt to the specific circumstances of international entrepreneurial (IE) firms, which indeed require a high degree of particularity. To achieve the aim of the study, two cases of IE firms were analysed and the bank manager in charge of corporate banking at the clients’ bank was interviewed. The results indicated that, from the perspective of the IE firms, a case of cognitive incompleteness exists in the relationship between banks and IE firms. More specifically, the IE firms think that their bank does not understand their business and that the bank’s decision-making process does not allow loan applications of IE firms to be accurately assessed. However, the interview with the bank manager implied that it is rather a case of cognitive incongruence that exists and influences the relationship, meaning that banks and SMEs have different perceptions with regard to the SMEs’ businesses.

Paper 4 ‘Relationship marketing and the management of corporate image in the bank-SME relationship’

The findings of the first three papers indicated that most SMEs want to develop a close relationship with their banks. Therefore, assuming a relational approach seems appropriate in the relationship between banks and SMEs. Building upon the findings of the first three papers, this paper drew on the theory of RM and CI. In this paper, 3 interviews conducted with bank managers working at the same bank and 17 interviews carried out with the bank’s SME customers were analysed. The purpose of the study was to examine how the bank’s management of customer relationships influences its CI. Specifically, the ability of bankers to adapt and to inspire confidence so that SME customers feel that they are treated fairly is analysed. The study indicated that the bank’s image reflects the SMEs’ overall perceptions of how well they have been treated by the bank and, in particular, the bank’s ability to provide sound business advice and to adapt to their specific needs.
Paper 5 ‘The impact of corporate fairness on the bank-SME relationship’

The purpose of this study was to investigate how corporate fairness affects customer satisfaction, based on the ability of employees to engage in relational interactions (whilst avoiding transactional interactions) with customers. In this paper, fairness was thus considered a major strategic issue for banks, which influences customers’ overall perceptions of the bank organisation and the products and services they supply. To capture the impact of fairness on customer satisfaction in the bank-SME relationship, a linear structural relations (LISREL) model was developed and analysed. A sample from a total of 359 responses (31.8 percent) provided by Swedish SMEs was used. This study suggested that fairness enables individual bankers to act in a relational manner towards their customers, thereby resulting in higher customer satisfaction.


The aim of this paper was to clarify whether customer satisfaction is mainly related to the perceived fairness of the service outcomes (technical aspects) or whether other aspects of the relationship are also significant—that is, how bankers behave when interacting with their customers (functional aspects). To fulfil the aim of this study, an ordinal logistic regression analysis was carried out based on results obtained from a survey questionnaire targeting Swedish SMEs. The results of the paper indicated that both the technical and functional dimensions of relationship management influence customer satisfaction.

Paper 7 ‘The influence of banks’ advice to SMEs on customer satisfaction: the case of regulation’
The findings of the third and fourth papers implied that banks can play an important advisory role. In this final paper, the expectations of SMEs regarding the value of advice provided by their banks were analysed. Among others, the banks’ ability to provide advice adapted to the needs of their SME customers was examined. The study started with an analysis of the interviews conducted with the SME owners in Norrtälje. Thereafter, a survey targeting SME customers of a specific bank in Norrtälje was analysed using regression analysis. The relationship between the bank and the SMEs was divided into two dimensions for analysis: the functional dimension (with which the SMEs were very satisfied) and the technical dimension (which received poor ratings from the SMEs). The results implied that SMEs often perceived the advice from their banks as poorly adapted to their specific needs and they therefore have low expectations of the advisory role of the bank.

Table 4 shows how the papers are related to the main concepts used in this thesis to analyse the bank-SME relationship.

Table 4. The main concepts used in the articles

<table>
<thead>
<tr>
<th>Articles</th>
<th>Adaptation</th>
<th>Fairness</th>
<th>Customer satisfaction</th>
</tr>
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<tbody>
<tr>
<td>1. The dyadic bank-SME relationship: customer adaptation in interaction, role and organisation</td>
<td>X</td>
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<td>2. Banks’ assessment of SME firms’ business networks</td>
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<td>3. Market incongruence in bank-SME relationships: A case study of two international entrepreneurs and their bank</td>
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<td>4. Relationship marketing and the management of corporate image in the bank-SME relationship</td>
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<td>5. The impact of corporate fairness on the bank-SME relationship</td>
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<td>7. The influence of banks’ advice to SMEs on customer satisfaction: the case of regulation</td>
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Conclusions

The main purpose of this thesis was to examine the influence of adaptation and fairness on customer satisfaction in the bank-SME relationship. The results of this thesis indicate that the ability of banks to adapt to the needs of their customers and to make them feel that they are treated fairly does influence the satisfaction level of their SME customers regarding their banking relationship.

In line with several previous studies investigating the bank-SME relationship, the results of this thesis also indicate that most SMEs prefer having a close and personal relationship with their bank (Adamson et al., 2003; Paulin et al., 2000; Zineldin, 1995). The SMEs want their bank to adapt to their needs—or, at least, recognise the specific circumstances surrounding their businesses. Indeed, SMEs tend to reward banks that are adaptive to their specific circumstances with higher customer satisfaction (Ahmad, 2005; Adamson et al., 2003). However, the empirical findings of this thesis indicate that banks encounter difficulties in adapting to the needs of their SME customers, thus influencing SME satisfaction (see papers 1, 2, 3 and 7). These difficulties stem from the lack of communication and contact between banks and SMEs, the lack of understanding of the individual bankers with regard to the specific businesses of SMEs and the standardised system that prevails within the banking organisation (see paper 1). The interaction process between banks and SMEs can thus be described as primarily transaction-based, which involves predetermined solutions, standardised products and function-based behaviours. The decision-making procedures of banks are claimed to be structured in a way that does not allow loan applications of firms to be accurately assessed (see papers 2 and 3). In particular, firms that, in some way, have a unique position or products that are somewhat complex are more difficult for banks to assess. For example, banks specifically encounter difficulties in adapting to the needs of international entrepreneurial firms (i.e., firms that have international markets). Hence, banks are perceived as having difficulties in understanding the specific needs of their SME customers, which indicates a case of cognitive incompleteness (see paper 3).

This thesis provides evidence of the importance of fairness in the bank-SME relationship. The results of this thesis indicate that a positive relationship exists between perceived fairness and customer satisfaction (see paper 5). The findings also clearly indicate that negative relationships involving fairness, the degree of transactional interaction and customer satisfaction exist in the bank-SME relationship.
Thus, this thesis suggests that fairness as a strategic issue enables individual bankers to act in a relational manner towards their customers, thereby resulting in higher customer satisfaction. This thesis employs fairness as the SME customers’ perception of the ability of their banks to treat them fairly in the relationship. The term fairness in the bank-SME relationship involves the creation of confidence in products and services as well as the manner in which the services are delivered to customers (Llewellyn, 2005). In line with earlier research (Holbrook and Kulik, 2001; Sparks and McColl-Kennedy, 2001; Grönroos, 1998), this thesis emphasises the importance of the technical and functional dimensions of service management (see paper 6). SMEs place importance not only on the ability of banks to provide high-quality service products but also on the care provided (and the manner in which it is given) by bankers in the service delivery process (see papers 4 and 5). The flexibility of the internal processes and systems is also an absolute condition for fairness in the bank-SME relationship. Hence, banks that understand the importance of fairness do not routinely sell standardised solutions to their customers. Instead, bankers are encouraged to take personal responsibility for whatever happens to their customers and for whatever decisions concerning their customers are made within the organisation.

The model depicted in Figure 3 summarises the main findings of this thesis. SME satisfaction is influenced by the ability of banks to adapt to the specific needs of SMEs. As shown in the model, the main factors affecting the ability of banks to adapt to the needs of their SME customers are the frequency of communication and contact in the interaction process, the knowledge of bankers, the banks’ internal structure and the presence of cognitive incompleteness in the bank-SME relationship. The results also showed that the concept of fairness is related to customer satisfaction. Thus, the banks’ ability to make their customers feel that they are treated fairly does, to a great extent, influence the level of satisfaction of their SME customers. In addition, relational interaction, the technical and functional dimensions of service quality were determined to be closely connected to the construct of fairness in the bank-SME relationship.
Concluding remarks and implications of this study

Despite the difficulties that banks and SMEs experience in their relationship with each other, the banks have been able to generate profits. This outcome raises the following question: Is it worthwhile for banks to find new ways to overcome the problems they have with their SME customers? The results of this thesis indicate that treating their SME customers in a more adaptable and fair manner would benefit banks in terms of their ability to attain more satisfied customers. Indeed, a number of recent studies highlight the positive relationship between customer satisfaction and financial performance (Gruca and Rego, 2005; Mittal et al., 2005; Hallowell, 1996). Furthermore, authorities and policymakers are pushing banks to treat their customers in an adaptable and fair manner (European Commission, 2007). Therefore, banks must become far more aware of how to adapt to the needs of their customers and to make them feel that they are treated fairly in the bank-SME relationship. This situation thus prompts the following question: How far should banks go in their adaptation and fair treatment of SME customers? Certainly, there is no easy answer to this question.

We should keep in mind that banks are large organisations with different categories of customers. Therefore, we cannot demand that banks fully adapt their operations to all individual small firms. However, we can demand that banks not treat their SME customers in accordance with a standardised model. There is no defence for banks having employees better adapted to the inner circumstances of their organisation than to those of their SME customers. If banks want to be perceived as important
partners for their SME customers, they need to recognise their customers’ specific circumstances and be more sensitive to their needs. Fair treatment, in terms of treating customers openly and with respect, is not too much to expect. Fairness is not about treating customers in a unique way but rather is something as fundamental as giving customers what they are promised. However, because of economies of scale and demands from supervisory authorities, banks have to maintain some degree of standardised format within the organisation. What banks do not have to do, however, is to show those inner workings to their customers. Based on the knowledge that SMEs do not prefer to interact with machinery in more delicate and pressing matters, banks should refrain from displaying the machinery in these cases. The SMEs may still have to fill out a form or two, but bankers should never tell their customers that they will have to await the decision of some unseen decision makers deep within the organisation. Consequently, the individual bankers must assume greater responsibility within the banking organisation, and the banking organisation must encourage individual bankers to assume greater responsibility when dealing with customers. It is not enough to refer to individual bankers as business advisors. Instead, banks must implement conditions within the organisation allowing individual bankers to work as effectively as possible to meet customers’ needs.

The findings of this thesis imply that SMEs have a certain level of mistrust towards their banks. The SMEs have a predetermined image of banks as being only interested in short-term sales and not in the long-term development of the relationship. This mental barrier of SMEs and their reluctance to provide their banks with necessary information about their businesses represents a hindrance to the development of the relationship. The SMEs have to realise that they need to provide their banks with necessary information, thereby enabling the banks to act in an adaptive and fair manner towards them. The greater the willingness of SMEs to communicate with their banks regarding their businesses, the easier it is for the banks to recognise the opportunity of the firms. Hence, SMEs need to give their insight into the market and industry and improve their ability to communicate so as to reduce the risk perception of banks. For a relationship to flourish, both banks and SMEs must conjointly work for a successive decrease in the cognitive gap separating them.

Authorities and policymakers play an important role in the development of the relationship between banks and their SME customers. Changing regulations and new recommendations do indeed influence the future of banking and SMEs’ access to financing. Clearly, the banks’ provision of services to SMEs is under supervision by
policymakers. The ‘treating customers fairly’ initiative has been undertaken as a consequence of the prevailing dissatisfaction amongst SMEs concerning bank services. However, as policymakers push for adaptation and fairness in the bank-SME relationship, the implementation of new regulations has resulted in the standardised treatment of SME customers. For example, the Basel II Accord was imposed on the financial industry to structure the risks that financial institutions can accept in lending. This directive has been criticised for making banks less concerned with soft data and, thus, becoming more rigid in their assessment of SMEs. If banks become less concerned with soft data, it is argued that a reduction in services for SMEs often occurs, which in turns results in a sharp decline in customer satisfaction amongst SMEs (Binks et al., 2006). Consequently, authorities and policymakers have to evaluate their recommendations and directives imposed on the financial industry, as well as how they influence the ability of banks to adapt and make their customers feel that they are treated fairly in the relationship.

Although the current financial and economic crisis is not over, we can expect consequences regarding the relationship between banks and SMEs. There is a fear of a recurrence of the banking crisis that erupted at the beginning of 1990s. Many are of the opinion that the banking crisis resulted in the banks’ adoption of a more standardised approach towards SMEs, which in turn led to deterioration in the bank-SME relationship. The requirements for loans granted to SMEs were raised (i.e., a higher degree of collateral, improved statements of account and higher down payments). Hence, SMEs felt unjustly treated in the relationship, and it became more difficult for them to acquire financing for different investments. The authorities and policymakers have thus an even more important role to play in the events leading to and/or surrounding a financial crisis.

Future research

On the basis of the findings of this thesis, a number of research areas for further investigation are identified:

*Analyse the actual costs of adaptation in the bank-SME relationship.*

In this thesis, the costs involved for banks to adapt to the needs of their SME customers have not been fully investigated. Clearly, adapting to the needs of their
SME customers has a positive effect for banks. However, relationships also have cost consequences. This aspect of the bank-SME relationship needs to be further investigated.

*Analyse the influence of adaptation and fairness on the level of satisfaction experienced by different groups of SME customers with regard to their banking relationship.*

It would be interesting to determine whether banks are more inclined to adapt to some specific SME groups than others. For example: Are banks better able to adapt and inspire confidence amongst male SME owners compared with women SME owners? This type of research can increase the understanding of the bank-SME relationship.

*Analyse the concepts of fairness and adaptation in the bank-SME relationship in other Countries.*

Because this research was conducted in the Swedish context, it would be interesting to find out if the same conclusions can be drawn in other countries regarding the influence of fairness and adaptation in the bank-SME relationship.

*Analyse the relationship between fairness and adaptation in the bank-SME relationship.*

The relationship between the concepts of adaptation and fairness has not been studied in this thesis; however, the theoretical definitions of fairness and adaptation indicate the existence of some form of relationship between these two concepts. It would be interesting to determine whether adaptation influences fairness—or whether it is the other way around. The findings of this kind of study would increase the understanding of fairness and adaptation in the bank-SME relationship.
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Appendix A

Interviews with the case study firms

Background of the firm owner

- Name
- Age
- Business title
- Founding year of the firm
- Educational background
- Professional background

The firm

- What is the fundamental idea of the firm?
- How did the firm start?
- Who financed the start of the firm?
- Who are the most important financiers of the firm today?
- What is the main product of the firm?
- What do production and product development look like?
- What kind of marketing does the firm use, and how does the firm recruit employees?
- To which industry does the firm belong?
- What kind of ownership structure does the firm have?
- How many employees does the firm have?
- In recent years, what was the turnover of the firm?
- How is the firm organised?

The early development of the firm

- Tell us about your first customers.
- Which actors were important in the early development of the firm?
- When did the first financier start to engage in the firm?
- Has the firm experienced any crises/difficulties?

The development of the firm

- Can you describe the market of the firm? Has it changed?
Tell us more about the development of the firm. Has it grown?
What does the future of the firm look like? What are the main problems?

The relationship with the financier
- What practical contributions do the financiers make to the firm?
- How do you perceive the role of the financiers?
- Do the financiers contribute to the development of the firm, and, if so, how?
- Do the financiers provide the firm with advice concerning:
  - the production/product development?
  - the market/customers?
  - the organisation?
  - the financing?
  - the profitability?
- How often do you meet with your financiers and under which circumstances?
- Do you believe that your financiers do enough for your firm? Could they do something differently?
- Do your financiers fail to serve you in any way?
- How have the relationships with your financiers developed?
Appendix B

Interviews with the bankers

Background of the banker
- Name
- Age
- Business title
- Number of years at the bank
- Work assignment
- Educational background
- Professional background

About the bank
- How many people work at the bank?
- How many people work with business customers?
- What are the vision, goals and strategies of the bank?
- How is the decision-making process structured?
- Tell us more about the bank’s products/services.
- How is the banking organisation structured?
- What does the future look like for the bank?

The relationship with the SME customers
- How many business customers does each banker have?
- How often do the bankers meet with their SME customers?
- Under which circumstances do the banker and the SME customer meet?
- How active are the customers?
- How good are the customers in making contact and in providing the bank with necessary information?
- When meeting with customers, what do you mainly discuss?
- What specifically does the bank contribute to its SME customers (e.g., market development, financing, product development, organisational development)?
- Do you perceive the relationships with the SMEs as good?
- Is there anything that can be done in a better way?
Appendix C

Survey 2003/2004

THE FINANCIAL CONDITIONS OF SMALL AND MEDIUM-SIZED FIRMS

I. The firm

1. Founding year of the firm: ______

2. How many employees did the firm have in the following years?

3. What was the turnover (millions of SEK) of the firm in the following years?

4. What was the solvency (in percent) of the firm in the following years?

5. What kind of ownership structure (in percent) does the firm have?
   Management and their family: _______%  Industrial partner: _______%
   Venture capital firms: _______%  Employees: _______
   Business angels: _______%  Other: _______%

II. The firm’s owners

6. To what extent do you agree with the following statements?
   (1 = totally disagree, 7 = totally agree)

   New partial owners are usually beneficial for the development of small and medium-sized firms. 1 2 3 4 5 6 7
   It is better to sell the whole company than accept new owners. 1 2 3 4 5 6 7
   The most important reason for accepting new owners is the capital they provide. 1 2 3 4 5 6 7
   The influx of competency is the most important reason for accepting new owners. 1 2 3 4 5 6 7
   It is better to take a new loan from a bank than to accept a new owner. 1 2 3 4 5 6 7

7a. Has the firm been actively searching for new partial owners during the past three years?
   Yes   No

   If ‘Yes’, what kind of new owners were you searching for?
   Industrial partner  Venture capital firm  Employees
   Business angels  IPO
Management
Other: 

7b. Did the search result in a new owner investing in the firm?
Yes   No
If ‘Yes’, what kind of new owner?
   Industrial partner   Venture capital firm   Employees
   Business angels   IPO

Management
Other: 

III. The pros and cons of different owners

8. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree)

As a partial owner, a venture capital firm can impart market knowledge. 1 2 3 4 5 6 7
A venture capital firm lacks the knowledge that is required to be a partner of an SME. 1 2 3 4 5 6 7
A venture capital firm focuses too much on the short-term development of its investments. 1 2 3 4 5 6 7
A venture capital firm has reasonable terms, with regard to influence, for investing in SMEs. 1 2 3 4 5 6 7
Because of their long-term focus, industrial partners are good partners for SMEs. 1 2 3 4 5 6 7
As a partial owner, an industrial partner can impart important market knowledge. 1 2 3 4 5 6 7
Business angels have a positive effect on the development of SMEs when they are partial owners. 1 2 3 4 5 6 7
Employees have a positive effect on the development of SMEs when they are partial owners. 1 2 3 4 5 6 7
Offering shares on the stock market is not a viable option for an SME. 1 2 3 4 5 6 7

IV. The firm’s financial situation

9a. Has the firm applied for financing from any of the institutions below during the past three years?
9b. Has the firm obtained financing from any of these institutions?
a) Banks
   Yes  No
b) ALMI
   Yes  No
c) Industrifonden
   Yes  No
d) Venture capital firm
   Yes  No
e) NUTEK
   Yes  No

10a. Has the firm obtained credit or a loan from a bank?
Yes  No

10b. How long has the firm had a relationship with its bank? (years): _______

10c. How satisfied are you with the banking relationship?
(1 = very dissatisfied, 7 = very satisfied)

   1 2 3 4 5 6 7

11. Of what importance have the following sources of capital been for the firm and its operations during the past two years? (1 = little importance, 7 = great importance)

   a) Internally generated funds
      1 2 3 4 5 6 7
   
   b) Bank loans
      1 2 3 4 5 6 7
   
   c) Trade credits from suppliers
      1 2 3 4 5 6 7
   
   d) Advance payments from customers
      1 2 3 4 5 6 7
   
   e) New equity and loans from venture capital firms
      1 2 3 4 5 6 7
   
   f) Loans from ALMI
      1 2 3 4 5 6 7
   
   g) Loans from Industrifonden
      1 2 3 4 5 6 7
   
   h) Loans and/or subsidies from NUTEK
      1 2 3 4 5 6 7

12. To what extent do you agree with the following statements?
(1 = totally disagree, 7 = totally agree)

   Banks usually offer financing with reasonable terms to SMEs.
   1 2 3 4 5 6 7

   The banks have a high level of competency in financial matters.
   1 2 3 4 5 6 7

   The banks focus too much on collateral in the credit risk assessment process.
   1 2 3 4 5 6 7

   The banks lack knowledge about the conditions under which SMEs operate.
   1 2 3 4 5 6 7
The banks are good at solving the financial problems that SMEs face.  

The banks are too focused on their products to be able to solve our firm’s financial problems.  

The banks are, in general, good at recommending other actors in situations where they cannot help our firm.  

The banks provide good advice to our firm.  

Our firm can turn to the bank in times of trouble.  

V. Supply of capital

13. How well do you think the supply of capital to SMEs functions in Sweden? (1 = very poorly, 7 = very well)  

VI. The board of directors

14. Are there any external members active in the firm? 

Yes No  

15. To what extent has the firm received what was expected from the external members? (1 = very little, 7 = very much)  

16. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree) 

The board’s experience and expertise are important to the development of the firm.  

The network of the board is of utmost importance to our firm. 

The board is an important source of advice.  

The favourable reputation of the board enhances the legitimacy of the firm.  

The board has an important role in the firm.  

17. In your opinion, of what importance has the advice provided by the board been to the firm concerning the following issues? (1 = little importance, 7 = great importance)
Organisational issues 1 2 3 4 5 6 7
Economic/financial issues 1 2 3 4 5 6 7
Technical/product issues 1 2 3 4 5 6 7
Marketing issues 1 2 3 4 5 6 7

18a. Does the firm use ‘factoring’?

    Yes  No

18b. Who helped you make contact with a factoring corporation?

    The bank  Other

19a. Does the firm use the service of ‘leasing’?

    Yes  No

19b. Who helped you make contact with a leasing corporation?

    The bank  Other

VII. The firm’s need for advice

20. The firm’s relationship with the accountant. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree)

    a. I have a close personal relationship with our accountant.

        1 2 3 4 5 6 7

    b. Our accountant is a source of moral support.

        1 2 3 4 5 6 7

    c. Our accountant provides our firm with valuable advice.

        1 2 3 4 5 6 7

21. The firm’s relationship with the individual banker. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree)

    a. I have a close personal relationship with the firm’s banker.

        1 2 3 4 5 6 7

    b. The banker is a source of moral support.

        1 2 3 4 5 6 7

    c. The banker provides our firm with valuable advice.

        1 2 3 4 5 6 7

‘Thank you for your contribution!’
Appendix D

Survey 2003/2004

THE BANKING RELATIONSHIPS OF SMALL AND MEDIUM-SIZED FIRMS

1. Founding year of the firm: ________

2. Number of employees: ________

3. The turnover (millions of SEK) of the firm the year before: ________

4. How large is the firm’s credit at the bank? ________

5. Does the firm have a personal advisor at the bank?
   Yes  No

6. Opinion about the bank. To what extent do you agree with the following statements?
   (1 = totally disagree, 7 = totally agree)

   The relationship with the bank has increased our profitability.  1 2 3 4 5 6 7

   The relationship with the bank has strengthened the financial position of our firm.  1 2 3 4 5 6 7

   The bank has provided insight not Only into financial matters but also into other areas.  1 2 3 4 5 6 7

   In our experience, the bank is becoming more and more inclined to selling factoring services.  1 2 3 4 5 6 7

   The bank has the level of knowledge Needed to solve our firm’s financial problems.  1 2 3 4 5 6 7

8. The firm’s relationship with the business advisor at the bank. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree)

   When we contact the business advisor, s/he shows interest in our firm’s problem.  1 2 3 4 5 6 7

   The business advisor has the time to solve our firm’s problem.  1 2 3 4 5 6 7

   In our meetings, the business advisor is always well prepared and familiar with our firm’s business problem.  1 2 3 4 5 6 7

   When we are engaged in conversation with the business advisor, we always have the feeling that s/he is really interested in our firm.  1 2 3 4 5 6 7
Our business advisor is pedagogic in her/his way of mediating a solution to our firm’s business problem.

Our business advisor always listens and takes our point of view into consideration.

The business advisor has the ability to identify the specific needs of our firm.

When we meet with our business advisor, we always get the feeling that s/he is trying to sell us the bank’s products.

We perceive our business advisor as an inspirer rather than a seller.

When our firm is faced with a problem, we always consult our business advisor regarding the possible solutions.

The business advisor always provides our firm with good ideas on how to solve different problems.

We believe that the business advisor sells the same products to all her/his customers.

The business advisor is fast in her/his decision making.

We have the impression that it is our business advisor who makes the final decision.

We have the impression that the business advisor makes decisions based on the policies, procedures and rules of the bank rather than on what is discussed in our meeting.

Our business advisor has provided the firm with advice on how to market our products.

The business advisor’s know-how about the market has been important for the growth of our firm.

The business advisor is knowledgeable about the industry in which our firm operates.

9. To what extent do you agree with the following statements? (1 = totally disagree, 7 = totally agree)

We would like our contact
with our business advisor to be more frequent.

We are very satisfied with the advice provided by our business advisor.

We are satisfied with our business advisor’s level of knowledge of our main industry.

We would like the business advisor to recommend bank products that are more adapted to our firm’s needs.

The bank’s demand for collateral in its credit risk assessment is too high.

Our firm’s main advisor works at the bank.

We are satisfied with our bank; therefore, we are not in the process of searching for another bank.

We recommend our bank to other members of our network.