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In Search for Impregnable Exchange Relationships with Buyers: Insights for Suppliers

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ABSTRACT

Economic necessity, relational ties, and emotional connections are important conditions for suppliers to form impregnable exchange relationships (IERs) with buyers. The exploratory investigation through the use of Repertory Grid Technique suggests that helpfulness, friendliness, uniqueness, and flexibility are primacy attributes of suppliers helping them to satisfy those IER conditions, thus enabling them to sustain beneficial relationships with buyers..

KEYWORDS: Buyer-supplier relationships, insights for suppliers, supplier attributes, repertory grid technique

INTRODUCTION

Research on buyer-supplier relationships (BSRs) and supply chains (SCs) has greatly advanced our understanding of various aspects in BSRs and SCs. The extant literature has investigated various types of BSR as well as their behavioral outcomes (Tangpong, Hung, & Li, 2014) and their economic outcomes (Paulraj, Lado, & Chen, 2008). Developed largely from buyer perspective,, this literature has provided managerial prescriptions to buyers and purchasing managers (Tangpong, Michalisin, Traub, & Melcher, 2015). Nevertheless, the BSR and SC literature, with a few exceptions (Kaufman, Wood, & Theyel, 2000) offers limited guidance to suppliers regarding sustaining their exchange relationships with major buyer firms and harnessing such relationships to achieve superior performance.

In this study, we approach the BSR phenomena through a practical research question “*what are the characteristics or attributes of suppliers that enable the suppliers to attain impregnable exchange relationships with major buyers?*” An impregnable exchange relationship (IER) refers to as the exchange relationship that bonds one party with another through its ability to satisfy the exchange partner’s multiple needs concurrently (e.g., economic, social, and emotional needs). Therefore, once suppliers form IERs with their major buyers, the buyers would see no needs to seek alternative suppliers. The answer to the research question in this study will largely help suppliers prepare and position themselves for long-term success with buyers.

LITERATURE AND THEORETICAL BACKGROUND

The dynamics in relationships between buyers and suppliers can be viewed from multiple theoretical lenses. In the extant literature, three perspectives, which have been established to offer insights into the BSR and SC dynamics, are (1) strategic perspective, (2) relational exchange, and (3) behavioral operations.

From the strategic perspective, in order to achieve exchange relationships with major buyers that

are tenable in the long run, suppliers need to establish relationships that offer the buyers' benefits while increasing their switching costs to other suppliers (Blocker, Houston, & Flint, 2012). The suppliers need to cultivate economic necessity for the buyers, whereby the buyers are greatly dependent on the suppliers. This economic necessity acts as a binding force between the two exchange partners, leading to the buyers' efforts to maintain their exchange relationships with the non-substitutable suppliers (Seabright, Levinthal, & Fichman, 1992). Hence, non-substitutability is the position that any supplier would desire from the strategic perspective.

From the relational exchange perspective, MacNeil (1980) argues that in the course of repeated interactions, firms develop a mutual understanding and build self-enforcing mechanisms such as trust, relational norms or commitment that binds partners together and help significantly reduce transaction costs between them (Morgan & Hunt, 1994). Relational ties requires time to develop in which partners get to know each other and build reliable expectations about the future behaviors of the other (Puranam & Vanneste, 2009). As such, the repeated/frequent buyer-supplier interaction is an important foundation on which suppliers and buyers can cultivate relational ties.

In addition, the behavioral operations perspective (e.g. Gino & Pisano, 2008) suggests that individual behavioral elements such as emotions and feelings provide additional benefits that tie buyers to suppliers. From this perspective, a tight connection with the supplier is also based on the individual preferences of purchasing professionals. The degree of likability in relationships (i.e., the extent to which buyers have formed amicable attitudes toward suppliers) can provides positive emotions, social benefits, and therefore greater personal satisfactions to purchasing managers (Gligor & Autry, 2012). Overall, the likeability of suppliers from which emotional connections with buyers arise can be of significant asset to the suppliers in exchange relationships.

These three perspectives are indeed not mutually exclusive but may coexist in purchasing reality (Blocker et al., 2012). The use of multi-theoretical perspectives to guide research efforts, can potentially yield quite fruitful outcomes in understanding the foundations on which suppliers can develop IERs with buyers. (e.g. Clauß, 2012; Tangpong, Michalisin, & Melcher, 2008). Specifically, we maintain that the true equilibrium in exchange relationships sustainably beneficial to suppliers only occurs when suppliers can concurrently attain (a) economic necessity, (b) relational ties, and (c) emotional connections with buyers. When suppliers have attained only economic necessity with buyers without the support of relational ties and emotional connections, the buyers, although economically dependent on the suppliers, will have motivation to seek ways to reduce such dependence to tip the balance of power in the exchanges. Similarly, even if the suppliers have attained relational ties or emotional connections with buyers, without another cornerstone of economic necessity, the long-term sustainability of their beneficial relationships with buyers is often subject to uncertainty.

We then used the Repertory Grid Technique (RGT) to design and conduct interviews with purchasing managers to tap into what they see in suppliers as critical attributes potentially contributing to their economic necessity, relational ties, and emotional connections in the exchanges. The RGT method used in this study is described in the next section.

METHOD

Repertory Grid Technique and Interview Preparation

To identify the attributes that characterize non-substitutable, repeated/frequent, and well-liked suppliers, we apply the RGT (Kelly, 1955). RGT is a methodological tool that can be used in

structured interviews to unveil individuals' perception (e.g. purchasing managers) on attributes of certain subjects of interest (e.g., different types of suppliers).

Identifying such attributes according to the RGT relies on comparison of so-called elements, which are the objects that are investigated in a study (people, situations, suppliers, relationships etc.). For the purpose of our study, the appropriate elements would be the types of suppliers that (a) reflect our research inquiry *a priori* and (b) represent the supplier types that purchasing managers (i.e., our respondents) relate to on a regular basis *a posteriori*. We specify (a) non-substitutable suppliers underlining economic necessity, (b) frequent suppliers forming the context for relational ties, and well-liked suppliers reflecting emotional connections with buyers. In addition, three more supplier types, namely quality suppliers, creative suppliers, and joint-history suppliers, were added to capture most relevant types of suppliers in a typical supplier portfolio. We organized these types of suppliers to create three pairs of contrasting supplier types: non-substitutable vs. substitutable suppliers, frequent vs. infrequent suppliers, and liked vs. disliked suppliers in addition to quality suppliers, creative suppliers, and joint-history suppliers. As a result, each purchasing manager in the RG interview process of this study focused on nine specific suppliers. In total, we involved 24 experienced purchasing managers from German manufacturing firms from various industries in RGT interviews.

Interview Procedure

During the RGT interview interviewees are provided with three elements (i.e. three supplier types) at a time and asked which pair they perceive to be similar to each other but different from the third one. The interviewee was asked to describe the unifying attribute (i.e. construct pole) and the differentiating attribute (i.e. contrast pole) with words or phrases (Kelly, 1955; Wright, 2004). In total, 168 attributes were thus elicited from the 24 interviews in this study. After the elicitation phase, each interviewee rated each of his/her suppliers based on his/her perceptions on supplier attributes (i.e. using a six-point rating scale ranging from 1 (construct pole fully applicable) to 6 (contrast pole fully applicable)).

Aggregation of Results

In order to quantitatively analyze RGT data and to characterize the supplier types based on supplier attributes, an aggregation of the 168 identified supplier attributes is necessary. Therefore, two independent coders sorted all attributes (i.e. considering the meaning of the word and phrases for construct as well as contrast pole) iteratively into subgroups until homogeneous attribute groups of similar meanings are built. Thereby, the 168 supplier attributes could be allocated into 23 groups of higher-order supplier attributes. Based on this aggregation, a collective super grid (Wright, 2004) was created by calculating the average rating for each supplier attribute. We then calculated an analysis of variance (ANOVA) with LSD post-hoc procedure to test the significance of the differences of the mean values.

RESULTS

Our RGT analysis revealed 23 supplier attributes that are perceived by purchasing managers in characterizing the nine supplier types. In contrast to substitutable suppliers, the suppliers considered non-substitutable and attaining economic necessity in the buyers' perception are primarily characterized by innovativeness, being organized, uniqueness, competence, flexibility, ease to work with, commitment to the task, conscientiousness, friendliness, and helpfulness. Furthermore, being renowned, friendliness, helpfulness, risk-taking, flexibility, uniqueness, reliability, and ease to work with, are attributes associated with more frequent suppliers who are

likely to form relational ties with buyers. Finally, suppliers with which purchasing managers like to work and cultivate emotional connections with, are significantly different from disliked suppliers regarding helpfulness, friendliness, trustworthiness, being renowned, sympathy, competence, uniqueness, being organized, risk-taking, communicative, cooperative, flexibility, innovativeness, commitment to the task, reliability, and conscientiousness.

In sum, we find that only four supplier attributes, (1) helpfulness, (2) friendliness, (3) uniqueness, and (4) flexibility, can potentially cultivate economic necessity, relational ties and emotional connections with buyers concurrently. These attributes supposedly help suppliers form IERs with buyers and are regarded as suppliers' primacy attributes.

DISCUSSION AND CONCLUSION

Our study provides relevant findings for suppliers on how to accomplish IERs with buyers. The four attributes: helpfulness, friendliness, uniqueness and flexibility of suppliers, are the primacy attributes that are shared among the non-substitutable, repeated/frequent, and well-liked suppliers in purchasing managers' perceptions. Our study also reveals theoretical implications that can further enrich the BSR and SC literature. First, this study underlines the importance of using multi-theoretical perspectives to guide research studies in BSRs and SCs. As illustrated in this study, to understand suppliers' attributes contributing to the development of IERs with buyers, it requires the mixture of the strategic perspective, relational exchange, and behavioral operations in guiding the research effort. Second, the findings in this study could also relate to the system dynamics perspective on behavioral operations (e.g. Tangpong et al., 2014). That is, the attributes in forms of friendliness and helpfulness, which are more on personal level, can potentially result in economic necessity and relational ties, which are more on organizational levels, and vice versa, reflecting self-reinforcing mechanisms between the two levels.

From managerial standpoints, this study offers two useful implications. First, the findings of this study underline that helpfulness and friendliness are suppliers' attributes critical to achieving economic necessity, relational ties, and emotional connections with buyers. As such, personality and attitudes of suppliers' decision-making agents toward the buyers' agents, although it may seem subtle, become a salient consideration in suppliers' staffing decisions (Gligor & Autry, 2012). Second, as both personal- (i.e., helpfulness and friendliness) and organizational- (i.e., uniqueness and flexibility) level attributes of suppliers can help them form sustainable and impregnable exchange relationships with buyers, implying different options (i.e., personal vs. organizational approaches) in forming such impregnable relationships with buyers.

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