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Supplier Selection in the Global Market: A Buyer Animosity Perspective

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ABSTRACT
Animosity is found having directly and negatively impact on consumer purchasing decision. This paper originally introduces animosity to supply chain management aiming for enlarging the understanding of animosity from the business to consumer (B2C) context to the processes of business-to-business (B2B) supplier selection. In particular, this paper argues that buyer animosity increases the rejection to overseas suppliers from the country that is the target of the animosity. Additionally, this paper proposes the moderating effects of suppliers’ country of origin, firm size, and industry type. Limitations of this study and future research are discussed as well.

KEYWORDS: Emotion, Animosity, Supplier selection, Supply chain management, Business to business purchasing, Country of origin, Firm size, Industry type

INTRODUCTION
In recent decades, globalization has allowed firms to expand internationally via establishing subsidiaries and outsourcing across the world. In this process, some firms gradually count on overseas suppliers more than on domestic ones (Min, 1994). As the list of overseas suppliers becomes longer, the supplier selection is getting more complex for firms that outsource overseas.

The selection of overseas suppliers is found to be impacted by various factors, such as financial terms, quality assurance, perceived risks, service performance, buyer-supplier partnerships, cultural and communication barriers, and trade restrictions (Min, 1994), reputation (Lienland, Baumgartner, & Knubben, 2013), corporate social responsibility (Ciliberti, Pontrandolfo, & Scozzi, 2008), environment protection (Goebel, Reuter, Pibernik, & Sichtmann, 2012; Hu, Rao, Zheng, & Huang, 2015), and political factors (Marshall, Ambrose, McIvor, & Lamming, 2015). Previous research has explored how to cope with these factors for facilitating overseas supplier selection (Agarwal, Sahai, Mishra, Bag, & Singh, 2011; Barbarosoglu & Yazgac, 1997; Pan, 1989; Soukup, 1987; Weber & Ellram, 1993).

Supplier selection is an important step in business-to-business (B2B) purchasing, which is conventionally thought objective and more rational than consumer purchasing in business-to-consumer (B2C) market (Ahmed, d’Astous, & El Adraoui, 1994; Johnston, 1981). However, B2B purchasing is not entirely rational because of the presence of subjective judgments (Park & Kim, 1997). Emotional factors exist and do impact B2B purchasing (Gilliland & Johnston, 1997; Kotler & Armstrong, 2008; Leek & Christodoulides, 2012; Lilien, 1987; Lynch & de Chernatony, 2004). Emotion refers to “any mental experience with high intensity and high hedonic content” (Cabanac, 2002, p80). Ten fundamental emotions are identified in prior studies, including two
positive emotions (interest and joy) and eight negative emotions (surprise, sadness, anger, disgust, contempt, fear, shame, and guilt (Izard, 1977; Westbrook & Oliver, 1991).

In B2C market, emotional states are found to be consistently related with consumers’ decision processes (Isen, 1984). More specifically, positive emotional states affect consumer purchase decision positively (Barbin & Darden, 1996; Kolter, 1974), whereas negative emotional states, such as guilt, influence consumer purchase decision process negatively (Burnett & Lunsford, 1994). In recent years, ethnic animosity, a newly defined negative emotional state, has received considerable attention in the literature. The feelings of animosity caused by war, political policies, economic policies, and other conflicts are found directly and negatively affecting consumer behavior, especially purchase decision process (Ettenson & Klein, 2005; Klein, 2002; Klein, Ettenson, & Morris, 1998; Nijssen & Douglas, 2004). For example, Edwards, Gut, & Mavondo (2007) find that 58 percent of French businesses operating in Australia suffered loss of sales caused by the animosity to France among Australians, who oppose nuclear bomb tests conducted by France in the mid-1990s in South Pacific. Klein et al. (1998) note that Chinese consumers’ animosity toward Japan, the result of historic war-time atrocities inflicted upon Chinese civilians by Japanese forces, is negatively related to their willingness to purchase Japanese products. Nijssen and Douglas (2004) find that Dutch consumers are reluctant to purchase Germany-made products because Netherlands was occupied by Germany during World War II.

Given the impact of emotional factors on purchasing decision process in B2B and B2C markets, does buyer animosity play a role in oversea supplier selection? The answer remains unknown. As such, this paper aims for enlarging the understanding of animosity from the B2C context to the processes of B2B supplier selection. Specifically, this paper argues that buyer animosity increases the rejection to overseas suppliers from the country that is the target of the animosity. In addition, this paper proposes the moderating effects of suppliers’ country of origin, firm size, and industry type.

This paper makes contributions to the knowledge on supply chain management by originally introducing animosity to supplier selection. The propositions in this paper shed light on the understanding of the role that buyer animosity plays in firms’ oversea supplier selection process and the effect of some moderators.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Supplier Selection and Emotional States

Supply chain has been adopted by firms widely to gain competitive advantages. The success of a supply chain relies on the selection of suppliers. Accordingly, the goals for supplier selection are to reduce purchase risk, to maximize overall value to the purchaser, and to build the closeness and long term relationships between buyers and suppliers (Monczka, Petersen, Handfield, & Ragatz, 1998).

Dickson (1966) initially identifies over twenty criteria for selecting a supplier. Later, Ellram (1990) categorizes supplier selection criteria into hard criteria, such as price, delivery, quality, and service, and soft ones, such as management compatibility and strategic direction of the supplier. Recently, Ho, Xu, and Dey (2010) develop a list for assessing suppliers, including quality, delivery, price/cost, manufacturing capability, service, management, technology, research and development, finance, flexibility, reputation, relationship, risk, and safety and environment. In the selection of oversea suppliers, more factors need to be considered, such as cultural and communication barriers, and trade restrictions (Min, 1994), corporate social responsibility
(Ciliberti, Pontrandolfo, & Scozzi, 2008), and political factors (Marshall, Ambrose, Mclvor, & Lamming, 2015). Based on these criteria, some methodologies are developed for helping buyers select suppliers, including payoff matrices (Soukup, 1987), mathematical programming (Pan, 1989), the analytic hierarchy process (Barbarosoglu & Yazgac, 1997) and multi-criteria decision making (Agarwal, Sahai, Mishra, Bag, & Singh, 2011).

As one step in B2B purchasing, supplier selection requires professional purchasing effort (Gilliland & Johnston, 1997; Lilien, 1987). It is complex and long-lasting and might involve dozens or hundreds of decision makers from different levels in a firm (Kotler & Armstrong, 2008; Lynch & de Chernatony, 2004). Therefore, supplier selection tends to be more rational than the consumer purchasing (Lynch & de Chernatony, 2004). However, B2B purchasing is not complete rational due to the presence of subjective judgments. Those responsible for making purchasing decisions, selecting suppliers in particular, within firms are still human beings who have some emotional or irrational input in their decision-making.

Emotion could be positive or negative (Westbrook & Oliver, 1991). In B2C market, consumers’ purchasing decision are proved to be consistently impacted by emotional states. When consumers are in positive emotional states (interest and joy), they tend to make purchasing (Barbin & Darden, 1996; Kolter, 1974). In contrast, when consumers are in negative emotional states (surprise, sadness, anger, disgust, contempt, fear, shame, and guilt), they might have troubles in making purchasing decision (Burnett & Lunsford, 1994).

Similarly, in B2B market buyers have emotional or irrational input in their decision-making about overseas supplier selection. Positive emotional states might facilitate overseas supplier selection, whereas negative emotional states might bring troubles in overseas supplier selection. This leads to the following propositions:

*Proposition 1. Buyers’ positive emotional states generate positive overseas supplier selection results.*

*Proposition 2. Buyers’ negative emotional states generate negative overseas supplier selection results.*
Animosity and Overseas Supplier Selection

Animosity is recently incorporated to marketing research and refers to the economic consequences of human emotional responses. It is “the remnants of antipathy related to previous or ongoing military, political, or economic events that affect consumers’ purchase behavior in the international marketplace” (Klein et al., 1998, p. 90). Riefler and Diamantopoulos (2007) define animosity as remnants of antipathy, hostility and/or anger towards a country, region, even to a district. According to Jung, Ang, Leong, Tan, Pornpitakpan, and Kau (2002), animosity is a network of angry feelings that are linked to memories. Based on the causes, animosity can be categorized into war animosity, political animosity, economic animosity, society/culture animosity, and personal experiences animosity.

War animosity is mainly caused by military events, especially by occupation of a country. For example, animosity among Chinese toward Japan is the result of historic wartime atrocities inflicted upon Chinese civilians by Japanese forces (Klein et al., 1998). The Dutch has animosity against German because Netherlands was occupied by Germany during World War II (Nijssen & Douglas, 2004).

Politic policies or events also can trigger animosity. According to Ettenson & Klein (2005), the anti-Islamic policies of the U.S. government led to a widespread boycott of American products in Arab countries and the nuclear tests in south Pacific undertaken by France cause boycotts against French products in Australia.

Economic animosity concerns a country’s unfair trading practices, economic policies, power, and suffering. For instance, the Asian Financial Crisis of 1997 and 1998 caused great economic suffering in East Asian countries. Businesses collapsed and many workers in East Asia lost their jobs. Some Asian consumers attribute the crisis to the economic power of the U.S. and its interference in the economic practices in Asia. Therefore, they blame the U.S. for generating the crisis. As a result, anti-American sentiment is rising among Asian consumers (Ang, Jung, Kau, Leong, Pornpitakpan, & Tan, 2004). Similarly, Bahaee & Pisani (2009) find that Iranian consumers experience animosity towards the U.S. because of the economic sanctions again Iran initiated by the U.S.

Social/cultural differences between countries can cause animosity as well (Riefler & Diamantopoulos, 2007). In particular, religious differences, mentality differences, and cultural imperialism can increase consumer animosity. For instance, anti-Americanism among French consumers is due partly to the U.S. cultural imperialism and to the mentality differences between the two countries (Amine, Chao, & Arnold, 2005). The religious and mentality conflicts between Arab and Jewish, Israelis in general, cause animosity among consumers in Middle East (Shoham, Davidow, Klein, & Ruvio, 2006). Furthermore, Rose, Rose, and Shoham (2009) find that animosity levels differ strongly between cultural subgroups.

Negative personal experiences, such as the perception of losing a job due to the outsourcing of jobs to another country, can generate consumer animosity too.

Once animosity is created, its impact can persist for a very long time. As Nakos and Hajidimitriou (2007) point out, the adversarial relationship between Greece and Turkey originated almost a thousand years ago and the hostility between the two countries has lasted ever since, strengthened by numerous wars and conflicts. In addition, Klein et al. (1998) note that even almost 60 years after the Japanese occupation of Nanjing, China, the anger among Chinese toward Japan is still fairly intense.

Recent literatures in marketing have extensively investigated the impact of animosity on consumer behavior, particularly consumers’ purchase decision. National animosity caused by
war, economic policies, and other conflicts is proved to have a profound, direct, and negative impact on consumers’ purchase decision. For example, Klein et al. (1998) initially link consumer animosity to the willingness of a consumer to purchase products from the nation that is the target of the animosity. They find that the animosity among Chinese toward Japan negatively impact their purchase decision about Japanese products, even though they have a perception of superior quality about Japanese products. The negative impact is confirmed by later studies via selecting consumers from other countries (Nijssen & Douglas, 2004; Klein, 2002; Shin, 2001), broadening the applicability (Hinck, Cortes, & James, 2004; Shimp, Dunn, & Klein, 2004), refining the conceptualization (Ang, Jung, Kau, Leong, Pornpitakpan, & Tan, 2004; Jung, Ang, Leong, Tan, Pornpitakpan, & Kau, 2002), and setting political disputes (Witkowski, 2000). In addition, recent literatures have confirmed the impact of animosity on general products (Hinck, Cortes, & James, 2004; Huang, Phau, & Lin, 2010; Nakos & Hajidimitriou, 2007), specific categories of products (Etenson & Klein, 2005; Hong & Kang, 2006; Jimenez & Martin, 2010; Klein, 2002; Shin, 2001), and on hybrid products with partial shifts in production to animosity targets (Funk, Arthurs, Treviño, & Joireman, 2010).

Because emotional states do impact B2B purchasing (Gilliland & Johnston, 1997; Kotler & Armstrong, 2008; Leek & Christodoulides, 2012; Lilien, 1987; Lynch & de Chernatony, 2004), and animosity is a kind of negative emotional states towards a country that materializes as a rejection of everything considered to represent that country, including its firms and products, one might expect that business buyers display the same rejection at work to a country that is their animosity target as they do when purchasing as consumer for home consumption. This leads to the following proposition:

**Proposition 3. Buyers’ animosity increases the rejection to overseas suppliers from the country that is the animosity target.**

**MODERATORS**

**Country of Origin**

Country of origin (COO) is a well-established concept in consumer marketing literature. It is an extrinsic product cue used to judge the quality of foreign products (Ahmed et al., 1994). According to Al Ganideh and Elahee (2012), COO refers to the image or the reputation consumers hold about a product based on where it originated or how it was sourced. COO may have symbolic and emotional meaning, which links a product to the imagery and affective connotations associated with a particular country (Askegaard & Ger, 1998; Verlegh & Steenkamp, 1999). Häuble & Elrod (1999) assert that the strength with which a brand is associated with its home country increases the magnitude of the country of origin effect. Examples of products with a strong brand and home country associations include Mercedes automobiles made in Germany, Sony CD Players made in Japan, and wines produced in France.

Consumers’ evaluation on product quality is affected by the product’s COO (Han, 1989; Johansson, 1989) and quality evaluation might impact consumers’ purchase decision (Shoham et al., 2006). However, according to Klein et al. (1998), even though Chinese have a perception of superior quality about Japanese products, their animosity towards Japan is so strong that they are not willing to buy Japanese products.

In terms of B2B markets, Cattin, Jolibert, & Lohnes (1982) find that COO influences the purchasing behavior of industrial buyers as well as consumers. They argue that favorable imagery associated with a country may induce buyers to select that country’s suppliers due to perceived quality. In other words, even though an industrial buyer has animosity toward the
country where a supplier is from, the buyer still tends to select the supplier if products from the supplier’s country have good image of COO. Accordingly, this paper argues that consumer purchasing behavior is different from business purchasing, and proposes the following proposition:

Proposition 4. An overseas supplier with good country of origin is less likely to be rejected by a buyer who has animosity toward the country where the supplier is from.

**Firm Size**

Firm size can be represented as the number of employees. According to Ettlie and Rubinstein (1987), firms with less than 500 employees are considered as small firms, and firms with more than 500 employees are considered as large firms. In contrast, Deveraj, Krajewski, and Wei (2007) categorize firms with less than 250 employees as small firms, between 250 and 500 employees as middle size firms, and more than 500 employees as large firms.

Small firms have limited financial resources, which limit their access to suppliers and provide them weak bargain power in the negotiation with suppliers. Usually, they choose single sourcing duet to necessary, not choice (Koufteros, Cheng, & Lai, 2007). External resources, most coming from suppliers, play a vital role in these firms’ ability to learn and innovate (Freel, 2000; Lipparini & Sobrero, 1994; Powell, Koput, & Smith-Doerr, 1996). As a result, buyers in small firms do not have many options when selecting suppliers. Even though buyers in small firms have animosity to the countries where their suppliers come from, it is not likely for them to reject their suppliers because small firms rely on their suppliers to survive and to develop. Small firms might not afford switching suppliers only due to buyers’ animosity.

Large firms, on the contrary, have the advantages of greater financial resources and economies of scale (Love & Roper 2001; Ono 2003). They can access more suppliers and their bargain power is stronger compared with small firms when negotiating with suppliers. Accordingly, the rejection of suppliers due to buyers’ animosity does not impact the operation of big firms very much and is likely to happen. This leads to the following proposition:

Proposition 5. The rejection of an overseas supplier due to buyer animosity towards the country where the supplier comes is more likely to occur in large firms.

**Industry Type**

Supply chain strategy and supplier selection process vary across industries. Hong, Chin, & Liu (2004) find that firms in some industries, such as chemical products, electrical and electronic products and components, pharmaceutical, health care, and biotechnology, tend to use outsourcing services, while firms in other industries, such as machinery, are more likely to keep logistics activities in-house. In addition, some industries switch suppliers more often than others (Friedl, & Wagner, 2012). Accordingly, buyers in industries with more outsource suppliers or switching suppliers more often have more chances to encounter suppliers from countries that are their animosity targets. This leads to the following proposition:

Proposition 6. The rejection of an overseas supplier due to buyer animosity towards the country where the supplier comes is more likely to occur in those industries that change outsource suppliers more frequently.
RESEARCH MODEL

Based on the above discussion, a research model is developed as shown in Figure 1.

Figure 1. The impact of buyer’s animosity on oversea supplier selection

DISCUSSION

Although animosity and supplier selection both have been studied extensively, no research has combined them together so far. Animosity, a newly defined negative emotional state, is found having directly and negatively impact on consumer purchasing decision. Since supplier selection is not entire rational, emotional states, animosity in this case, are supposed to take some effect on supplier selection. As such, this paper argues that buyer animosity increases the rejection to overseas suppliers from the country that is the target of the animosity. The foundation of this argument is that consumers and buyers both are human beings who have some emotional input in their decision-making. But it should be noted that consumers’ purchasing decision is on the individual level, whereas the purchasing decision in a firm usually involves decision makers from different levels. These decision makers in a firm may or may not all have animosity towards a supplier. How their emotional states interact with each other and further impact buyer selection needs exploration.

Furthermore, because animosity can be caused by war, political policies, economic policies, society/culture differences, or personal experiences, do the different animosities play the same role in buyer selection? In addition, this paper makes the argument that a supplier’s country of origin has no impact on the rejection caused by a buyer’s animosity toward the country where the supplier is from based on the findings in Klein et al. (1998). Their finding that although Chinese have a perception of superior quality about Japanese products, their animosity towards Japan still prevent them from buying Japanese products is built on Chinese war animosity towards Japan. It is still unknown whether other animosities have the same effect.
In addition, adopting appropriate entry modes is found an approach for mitigating negative animosity (Edwards, Gut, & Mavondo, 2007; Fong, Lee, & Du, 2014. This finding brings up the measurements for coping with animosity in global market. But because the research on the role buyer animosity playing in supplier selection is still in its early stage, empirical studies are needed to test the propositions in this paper. Once the better understanding of the effect of buyer animosity is established, effective measurements can be developed.

LIMITATIONS AND FUTURE RESEARCH

The main contribution of this paper is that it originally introduces animosity to the domain of supply chain management and explores the role that buyer animosity plays in oversea supplier selection. Other than the contributions, this paper has several limitations. First, this paper only proposes six propositions regarding how buyer animosity impact oversea supplier selection. Future research should conduct empirical studies to test these propositions. Second, the paper does not account for how to mitigate the impact of buyer animosity on oversea supplier selection. Future research may select more representative cases to deeply analyze and recommend solutions to minimize the impact.

REFERENCES


