SOCIALIZATION, BUYER-SUPPLIER RELATIONSHIP, INTER-ORGANIZATIONAL COMMUNICATION, AND FIRM PERFORMANCE: A RESEARCH MODEL

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ABSTRACT
This research proposes a new conceptual framework of supply chain integration by examining the role of socialization in supply chain management, specifically about how socialization affects relationship and inter-organizational communication between buyers and suppliers, and how buyer-supplier relationship and inter-organizational communication enhance buying firm performance.

Key Words: Socialization, Buyer-supplier relationship, Inter-organizational communication, Firm performance

INTRODUCTION
Expanding global competition, rapidly changing markets and technology, and increasing complexity and uncertainty are creating a new competitive and dynamic environment. Success is no longer measured by a single transaction; competition is, in many instances, evaluated as a network of co-operating companies competing with other firms along the entire supply chain. The increasing importance of strategic role of sourcing in global business and the rapid growth of strategic buyer-supplier relationships across many industries has attracted a great deal of scholarly attention to recognize the issue of how relational competencies generate sustainable strategic advantage (Chen, Paulraj, & Lado, 2004). Socialization has been utilized as a mechanism to enhance the buyer-supplier relationships and buyer-supplier performance (Cousins & Menguc, 2006). The purpose of this study is to examine the role of socialization in supply chain management. Specifically, the paper examines how socialization (including formal and informal socialization) affects relationships and inter-organizational communications between buyers and suppliers, and then how buyer-supplier relationships and inter-organizational communication enhance buying firm performance in one particular industry – the textile and apparel industry.

The textile and apparel industry is an ideal exemplifier of global supply chain, which is characterized by the significant contribution to world economy and international trade, the numerous steps and the diverse activities in the chain, the extremely worldwide spread supply network, the tremendous competition in world market, the varying product and quality specifications being managed and the volatility of consumer preferences for fashion apparel products (Abernathy, Volpe, & Weil, 2006; Bruce & Daly, 2011; Gereffi, 1999; Kumar & Arbi, 2008; MacCarthy & Jayaratne, 2012). The textile and apparel industry not only includes industrial segments of fiber, fabric, and apparel production, but also consists of marketing, distribution, and retail operations of apparel and textile products. The nature of the textile and
apparel industry and the increased pressures from fickle consumers and uncertain business environment are making more and more firms to recognize the strategic role that suppliers and buyer-supplier relationships can play in achieving sustainable competitive advantage and improving firm performance (Bruce & Daly, 2011; Kumar & Arbi, 2008; MacCarthy & Jayarathne, 2012). Going far beyond cost considerations, textile and apparel supply chain decisions affect the production, marketing, distribution and financial strategies that a firm can put into effect (Su & Gargeya, 2012). Top management in textile and apparel firms are developing and implementing more proactive strategies to deal with environmental changes, risks and uncertainties.

This study describes a research effort driven by three objectives. Recognizing the dynamic climate of the textile and apparel industrial market, the first purpose of this research is to investigate the importance of socialization, buyer-supplier relationship, and inter-organizational communication. The second objective in this research is to propose a new conceptual framework of supply chain integration. This study identifies the key strategic decisions in the form of constructs – socialization (including formal and informal socialization), buyer-supplier relationships, and inter-organizational communication and firm performance. Finally, the third objective is to provide an agenda for future follow-up study, using the proposed conceptual model in one specific industry – textile and apparel industry, which will further test and validate the proposed research model.

This paper is organized as follows. The following section reviews the relevant previous research and the theoretical backgrounds for this study. Next, the conceptual model which is based on the review of literature is proposed and described in details. Finally, future research directions are also discussed.

**THEORETICAL GROUNDING**

Previous research suggests that supply chain management issues like buyer-supplier relationships are multifaceted phenomena that can only be explained by a multitheoretical perspective. Terpend, Tyler, Krause, and Handfield (2008) advocate that future research needs to recognize the limitations of a single theoretical perspective and adopt multiple theories to explain how buyer practices and the influence of buyer–supplier mutual efforts. Osborn and Hagedoorn (1997) encourage researchers to adopt a more robust, sophisticated, multidimensional view. In reviewing the body of literature, we utilize multiple-theory studies, including specifically the resource dependence theory (RDT) and relational view of supply chain management.

**Resource Dependence Theory**

Resource dependence theory (RDT) recognizes the influence of external environment. RDT maintains that firms are constrained and affected by their environment and they act to attempt to manage resource dependencies. RDT was developed to describe inter-organizational relationships to reduce domestic and international environmental complexity and gain resources (Hillman, Withers, & Collins, 2009; Pfeffer & Salancik, 1978). The focus of the RDT is not on resources themselves but on inter-organizational relationships that firms rely on to exchange or acquire external resources (Tan, Kannan, Hsu, & Leong, 2010). Supply chain management is
grounded on the notion that there is sequential interdependence among various activities; therefore, inter-firms coordination is needed. As supply chain members work together closely, they often become more dependent on each other. From the perspective of best value supply chains, inter-firm dependencies should be used to create mutual forbearance and trust (Ketchen Jr & Hult, 2007). It also suggests that organizations attempt to alter dependence relationships by reducing the dependency on some partners or increasing the dependency of others on them, thereby shifting the power structure. Carr, Kaynak, Hartley, and Ross (2008) claimed that suppliers who are dependent on a buyer for resources (i.e. sales) are more likely to cooperate and comply with buyer demands to for example, participate in new product development or to modify processes to accommodate new product specifications.

**Relational View of Strategic Management**

The increasing importance of strategic role of sourcing in global business and the rapid growth of strategic buyer-supplier relationships across many industries has attracted a great deal of scholarly attention to recognize the issue of how relational competencies generate sustainable strategic advantage (Chen, et al., 2004). We believe the relational view of strategic management (Cousins, Lawson, & Squire, 2008; Dyer & Singh, 1998; Paulraj, Lado, & Chen, 2008) also provides the relevant theoretical framework for the present investigation. Dyer and Singh (1998) argue that “an increasingly important unit of analysis for understanding competitive advantage is the relationship between firms” (p. 660). The relational view takes the inter-organizational level of analysis. It argues that firms should also view their ability to manage their inter-organizational relationships as a strategic resource for building strategic advantage (Dyer & Singh, 1998). Kanter (1994) examines how relational competencies enable firms to gain and sustain collaborative advantage. Relational view highlights the idea that inter-organizational relationships potentially provide a firm with access to key resources from its environment. Firms may form strategic partnerships to access or acquire unique and valuable resources that they lack, or leverage “social” resources, such as social networks, brand image and reputation (Eisenhardt & Schoonhoven, 1996). Moreover, the relational view addresses the importance of inter-organizational communication in buyer-supplier relationship that facilitates better understanding of environmental complexity and competitive issues related to supply chain success. Thus, by viewing inter-organizational communication as a relational competency, organizations’ open and frequent communication is essential to the maintenance of buyer-supplier relationship.

**Supply Chain Socialization**

The concept of socialization is well established in organizational behavior research. An emerging definition of socialization is the level of interaction between, and communication of, various actors within and between the firms, which leads to the building of personal familiarity, improved communication, and problem solving (Cousins & Menguc, 2006; Gupta & Govindarajan, 2000). Cousins, Lawson, and Squire (2008) define supply chain socialization mechanisms as the means by which individuals in a buyer-supplier engagement acquire knowledge of the other enterprise’s social values and norms. Examples include special languages, models for social etiquette, informal meetings, creation of shared goals and visions, inter-firm visits, workshops, etc. Although socialization between buyers and sellers has often been frowned upon in Western contexts, this approach has been widely recognized as important in Asian
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cultures (Dyer & Chu, 2000; Handfield, Ragatz, Petersen, & Monczka, 1999). Indeed, a more systematic empirical investigation of the extent to which socialization contributes to the creation of relational capital and benefits is warranted.

**RESEARCH MODEL**

Based on the literature review, a research conceptual model is proposed. Figure 1 presents the research conceptual model which includes the seven research hypotheses.

The research model is based on the linkages between socialization, buyer-supplier relationships, inter-organizational communication, and firm performance. In the study, firm performance is investigated using two measures – firm operational performance and firm financial performance. Grounded on the resource dependence theory and the relational view of supply chain management, this model includes the following research hypotheses:

- **H1**: Formal socialization has a positive impact on buyer-supplier relationships.
- **H2**: Formal socialization has a positive impact on inter-organizational communication.
- **H3**: Informal socialization has a positive impact on inter-organizational communication.
- **H4**: Informal socialization has a positive impact on buyer-supplier relationships.
- **H5**: Inter-organizational communication is positively related to buyer-supplier relationships.
- **H6**: Buyer-supplier relationship positively affects firm performance.
- **H7**: Inter-organizational communication positively affects firm performance.

**FIGURE 1**

Research Conceptual Model

The corresponding factors and the indicators in the structural model are shown in Table 1. The items tapping the theoretical constructs are developed based on an extensive literature review of the managerial and scholarly literature to establish the content validity of each construct and associated scales (Chen & Paulraj, 2004; Cousins, Handfield, Lawson, & Petersen, 2006; Cousins, et al., 2008; Cousins & Menguc, 2006; Paulraj, et al., 2008; Prahinski & Benton, 2004). To increase measurement accuracy, multiple indicators have been used to represent unobservable constructs and existing scales are employed where possible.
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Indicators</th>
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<tr>
<td>Formal socialization (FS)</td>
<td>How effective has the following statement been in improving the understanding you and your supplier have of each other’s businesses?</td>
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<td>FS1 – Joint workshops</td>
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<td>FS2 – Cross-functional teams</td>
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<td>FS3 – Regular supplier conferences</td>
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<td>FS4 – Team building exercises</td>
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<tr>
<td>Informal socialization (IFS)</td>
<td>How effective has the following statement been in improving the understanding you and your supplier have of each other’s businesses?</td>
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<td>IFS1 – Communication guidelines</td>
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<td>IFS2 – Awareness of supplier issues</td>
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<td></td>
<td>IFS3 – On-site visits</td>
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<td></td>
<td>IFS4 – Social events/gatherings</td>
</tr>
<tr>
<td>Buyer-supplier relationships (BSR)</td>
<td>BSR1 – There is close, personal interaction between the partners at multiple levels.</td>
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<td>BSR2 – The relationship is characterized by mutual respect between the partners at multiple levels.</td>
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<td></td>
<td>BSR3 – The relationship is characterized by mutual trust between the supply partners at the multiple levels.</td>
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<td>Inter-organizational communication (IOC)</td>
<td>IOC1 – We share sensitive information (financial, production, design, research, and/or competition).</td>
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<td>IOC2 – Suppliers are provided with any information that might help them.</td>
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<td>IOC3 – Exchange of information takes place frequently, informally and/or in a timely manner.</td>
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<td>IOC4 – We keep each other informed about events or changes that may affect the other party.</td>
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<td>IOC5 – We have frequent face-to-face planning/communication.</td>
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<td>IOC6 – We exchange performance feedback</td>
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Firm Performance (FP)  Operational Performance (FOP):
FOP1 – Product conformance to specifications
FOP2 – Product quality
FOP3 – Costs
FOP4 – Volume flexibility
FOP5 – Scheduling flexibility
FOP6 – Delivery speed
FOP7 – Delivery reliability/dependability
FOP8 – Rapid responsiveness
FOP9 – Time to market
FOP10 – Lead time

Financial Performance (FFP):
FFP1 – Market share
FFP2 – Profit margin
FFP3 – Return on asset
FFP4 – Net income before taxes

AN AGENDA FOR FUTURE RESEARCH

Grounded on existing theories and research, the proposed conceptual and structural models provide bases for assessing the effectiveness of socialization on buyer-supplier relationships, inter-organizational communication, which further impact firm performance. A large scale empirical research is needed to confirm the proposed conceptual model and lend to empirical validity and credence to the conceptual issues incorporated in the proposed model. Survey based empirical research method could be used to solicit responses from a random sample in one industry or cross industries. We are currently conducting empirical survey research to collect data from the U.S. textile and apparel industry to examine relationships included in the research conceptual model. The conceptual framework has been discussed with six apparel industrial practitioners in the State of Pennsylvania to make sure the indicators measuring the constructs are consistent with the firm’s real practices and capture the essence of the factors in the model. Our discussion with industrial professionals provides practical support for the proposed research conceptual model.

Data collected could be analyzed to provide statistical evidence for the proposed research model. The analysis addresses the research questions by using the two-step structural equation modeling (SEM) approach. Firstly, the measurement model will be evaluated using confirmatory factor analysis to demonstrate adequate model fit and to ensure a satisfactory level of measure reliability and validity for the underlying variables and their respective factors in the model. Secondly, the structural model will be tested to examine the research hypotheses. Analysis based on the maximum likelihood estimation method will be carried out using LISREL 8.8 (Joreskog & Sorbom, 2006).
Implementing survey research methodology and using SEM analysis approach, further research efforts will definitely contribute to providing more insights in understanding the linkages between socialization, buyer-supplier relationships, inter-organizational communication, and firm performance. Furthermore, such empirical research would deepen our understanding of supply chain integration, the nature and strength of the relationships among the linkages in the supply chain management, and the real performance outcomes of supply chain integration. This research framework will be helpful guidelines for organizations that are interested in supply chain integration by utilizing socialization mechanisms. Marketers and manufacturers and managers will also benefit from the future research.

REFERENCES


