



## Knowledge acquisition in supply chain partnerships: The role of power

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### ABSTRACT

Knowledge is recognised as an important source of competitive advantage and hence there has been increasing academic and practitioner interest in understanding and isolating the factors that contribute to effective knowledge transfer between supply chain actors. The literature identifies power as a salient contributor to the effective operation of a supply chain partnership. However, there is a paucity of empirical research examining how power among actors influences knowledge acquisition and in turn the performance of supply chain partners. The aim of this research is to address this gap by examining the relationship between power, knowledge acquisition and supply chain performance among the supply chain partners of a focal Chinese steel manufacturer. A structured survey was used to collect the necessary data. Two conceptually independent variables – ‘availability of alternatives’ and ‘restraint in the use of power’ – were used to assess actual and realised power, respectively. Controlling for contingencies, we found that the flow of knowledge increased when supply chain actors had limited alternatives and when the more powerful actor exercised restraint in the use of power. Moreover, we found a positive relationship between knowledge acquisition and supply chain performance. This paper enriches the literature by empirically extending our understanding of how power affects knowledge acquisition and performance.

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### 1. Introduction

This paper examines the relationship between power and knowledge transfer among supply chain partners because this is an important relationship and research in this area is scarce. Supply chain partnership is one of the most widely adopted forms of collaborative interfirm alliance (Pekar and Allio, 1994). This is largely due to features that afford flexibility within the relationship such as contractual agreements between partners (if one exists at all) that are unlikely to possess the rigidity and legal agreements of the contracts prevalent in other forms of interfirm relationship, for example joint ventures, R&D partnerships and cross licencing (e.g., Wilson, 1995; Frankel et al., 1996; Lambert et al., 1996).

A number of theories are used to explain the rationale for entering into collaborative agreements. These include transaction cost economics (TCE) (Williamson, 1975), the resource-based view (RBV) (Barney, 1991), resource dependence theory (RDT) (Pfeffer and Salancik, 1978), and the relational view (Dyer and Singh, 1998). According to TCE firms enter into collaborative agreements in order to reduce the cost of participating in the market. Here, collaborative

agreements unlike merger and acquisition offer a restricted hierarchy because of partial absorption of interdependencies (Fitzroy et al., 2011). The RBV posits that firms enter into collaborative agreements to complement their resources (Murray et al., 2005). According to RDT organisations are constrained and affected by their environments and attempt to manage resources dependencies by pursuing from amongst five options one of which is interorganisational collaboration (Pfeffer and Salancik, 2003). As such, RDT posits that firms use collaborative arrangements to reduce uncertainty and interdependence (Harrigan and Newman, 1990). The relational view postulates that idiosyncratic interfirm linkages are a source of superior rent. Dyer and Singh (1998) identify four sources of relational rents: (a) relation-specific assets; (b) knowledge sharing routines; (c) complementary resources/capabilities; and (d) effective governance. The unit of analysis in the case of the relational view is networks and/or dyads of firms, while the firm is the unit of analysis in the case of the other three theories. There are two important points to note. First, RBV, the relational view, and RDT are complementary. For example, the RBV posits that inter-organisation collaboration facilitates the development of valuable resources, while the relational view argues that shared resources and routines are a source of competitive advantage. In essence RBV describes how/why, and the relational view describes what/why. Second, as we discuss later, RDT is the only theory that implicitly recognises the significance of power.

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The knowledge based view (KBV) uses the logic of RBV to posit that “knowledge” is a major determinant of competitiveness (Kogut and Zander, 1992; Grant, 1996). Moreover, scholars postulate that knowledge sharing between alliance partners is a major contributor to enhanced competitiveness (Levinson and Asahi, 1995; Mowery et al., 1996; Inkpen, 1998). Not surprisingly, knowledge management practices among supply chain partners have attracted much attention (e.g., Beecham and Cordey-Hayes, 1998; Kotabe et al., 2003; Hult et al., 2004; Handfield and Lawson, 2007; Modi and Mabert, 2007; Rauniar et al., 2008; Pedroso and Nakano, 2009). The literature suggests that partnerships between buyer and supplier firms are a conduit for knowledge sharing that can result in improved performance along the entire supply chain (Heide and Miner, 1992; Dyer and Nobeoka, 2000; Krause et al., 2007; Rauniar et al., 2008; Lawson et al., 2009; Cao and Zhang, 2010).

One strand of empirical research on supply chain partnerships has focused on isolating and examining the impact of key attributes of partnership (most commonly trust, commitment, interdependence and shared meaning) on the exchange of knowledge between supply chain partners (e.g., Spekman et al., 2002; Hult et al., 2004; Dyer and Hatch, 2006; Krause et al., 2007; Modi and Mabert, 2007; Panayides and Venus Lun, 2009). According to the extant literature, power among supply chain partners is another key attribute influencing the operational behaviour and performance of supply chain partners (Lascelles and Dale, 1989; New, 1998; Cox, 1999; Cox et al., 2001; Hallikas et al., 2005; Ke et al., 2009; Liu et al., 2010). The relative power of partners is likely to significantly influence the distribution of responsibilities and the flow of benefits between them (Benton and Maloni, 2005; Hingley, 2005; Zhao et al., 2008; Ke et al., 2009; Esmaeili and Zeephongsekul, 2010).

The importance of power goes beyond academic curiosity. According to Cox (1999), cognisance of power is of significant importance to practitioners as well as academics. He argued that if they fail to understand power within the supply chain, both practitioners and academics ‘may well be guilty of recommending strategies and operational practices that are inappropriate for the supply chains in which they operate’ (Cox, 1999, p. 172). Maloni and Benton (2000) echoed this view and suggested that supply chain practice or research that does not account for the influence of power cannot be entirely realistic or implementable.

Research examining the relationship between power and different attributes of supply chain partnership is relatively sparse and generally suffers from methodological shortcomings. As far as we were able to ascertain, the majority of publications that do exist are either conceptual (e.g., Cox, 1999, 2004; Watson, 1999; Cox et al., 2001; Li et al., 2002; Sucky, 2006; Crook and Combs, 2007; Muthusamy et al., 2008), or descriptive (e.g., Ogbonna and Wilkinson, 1998; Ireland, 1999; Watson, 2001). The lack of empirical research is potentially detrimental to the scholarly development of the field and to practice. Moreover, the limited number of empirical studies we were able to locate also displayed methodological limitations. The majority were case based, hence limiting the opportunity to develop generalisable conclusions (e.g., Bates and Slack, 1998; Sanderson, 2001; Cousins, 2002; Faria and Wensley, 2002; Hingley, 2005; Krajewski et al., 2005; Narasimhan et al., 2009). The few published studies using survey methodology lacked clarity on validity and reliability issues (e.g., Provan and Gassenheimer, 1994; Yeung et al., 2009). Furthermore, the previous quantitative studies we located that dealt with multiple dependent variables (e.g., Provan and Gassenheimer, 1994; Berthon et al., 2003; Caniels and Gelderman, 2007) generally used analytical methods such as multiple regression, rather than techniques such as canonical correlation, MANOVA, MANCOVA and SEM (structural equation modelling) as recommended by Podsakoff and Dalton (1987), which can simultaneously handle multiple dependent

variables, and account for systematic variances of dependent variables and potential interrelationships between dependent variables. There are a small number of exceptions (e.g., Zhao et al., 2008; Ke et al., 2009). For example, Zhao et al. (2008) examined the impact of power and relationship commitment on supply chain integration using SEM. Ke et al. (2009) examined the impact of mediated and non-mediated power on electronic supply chain management system adoption, following a partial least squares technique. However, the foci of these two studies are significantly different from the focus of the present study.

Turning our attention to research specifically concerned with the relationship between power and knowledge sharing among supply chain partners, additional shortcomings are evident. First, despite its apparent importance (Beecham and Cordey-Hayes, 1998; Dyer and Nobeoka, 2000; Ke and Wei, 2007; Muthusamy et al., 2008; Ke et al., 2009) there is a dearth of empirical studies examining this relationship. It is a specific field of study that requires greater attention. Second, there is a divergence of views about the impact of power. Some authors argue that power is detrimental (Beecham and Cordey-Hayes, 1998; Maloni and Benton, 2000; Muthusamy et al., 2008), while others argue that power is helpful (Cox, 1999; Dyer and Nobeoka, 2000; Yeung et al., 2009). This lack of consistency, which we return to in the next section, provides a further impetus for this study.

Despite the existence of numerous literature contributions examining relationship factors such as trust, commitment, interdependence and shared meaning, the literature suggests that there is a lack of empirical research examining power in supply chain partnerships (see also Caniels and Gelderman, 2007), and especially its influence on interfirm knowledge transfer. Given that power tends to be a complex factor influencing the dynamics of supply chain partnership, we argue that it is critically important to give power due consideration in its own right through empirical study. For example, if we find that the restraint of power enhances knowledge acquisition, then management behaviour that seeks to take advantage of actual power purely for self-interest is likely in the long term to be detrimental to improving performance, and such behaviour needs to be re-evaluated. This paper therefore contributes to the extant literature by examining the relationship between power and knowledge transfer among supply chain partners. Furthermore, we extend the understanding by examining the effect on supply chain performance. If we find that knowledge acquisition enhances overall supply chain performance then boundary-spanning employees and managers should be empowered and equipped better to lead knowledge acquisition efforts, and supply chain partners should be encouraged to identify and develop the context-specific practices that will provide the necessary, sustainable communication and collaboration platforms. We use two constructs rooted in appropriate theory – ‘availability of alternatives’ and ‘restraint in the use of power’ – to assess power, and we also examine their interactional effect. We controlled for the effects of partnership duration in our model. As a further methodological extension, we controlled for contingencies present in previous studies that used a cross-section of independent firms, by focusing on actors operating within the supply chain of a single focal firm.

## 2. Literature

In this section we start by examining the concept of power and review how power might influence the behaviour of supply chain partners. This is followed by a discussion of the two indicators of power among supply chain partners. We then discuss knowledge acquisition which underpins any interfirm knowledge transfer process.

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