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Making the transition to collaborative buyer–seller relationships: An emerging framework

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Abstract

In recent years, many business-to-business marketers have been influenced by the concepts put forth in the area of *relationship marketing*, with its emphasis on long-term collaborative relationships among trading partners. However, buyers and sellers alike have found it difficult to make the transition from an arm's length, "invisible hand of the market" relationship to one of collaboration, for a variety of reasons. We propose a framework, still emerging, that captures the elements critical to the transition process. We do not advocate collaborative relationships in all buyer–seller relationships; however, where they make sense we demonstrate how to overcome barriers to collaboration. Explicitly recognizing the elements of the framework and their relationship to one another would help potential collaborators better manage the transition process and thereby increase the likelihood of reaping the benefits of a truly more collaborative relationship.
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1. Introduction

In recent years, many business-to-business (B2B) marketers have been influenced by the concepts put forth in the area of *relationship marketing*. Both academics and practitioners have increasingly begun to embrace the notion that long-term collaborative relationships among trading partners are good for business and yield improved business performance. A report recently published by Stanford University and Accenture[1] finds that companies that have moved to more collaborative relationships in their supply chains grew their market capitalization by eight percent or more and were rewarded with a premium of seventeen to twenty-six percent in their valuation. Toyota, a poster child of collaborative supply-chain relationships, has helped its supplier base gain 140% greater output per worker, lower inventory by twenty-five percent, and achieve fifty percent fewer defects than rivals.

While many original equipment manufacturers (OEM's) tout cooperation, they have at the same time pursued on-line exchanges, reverse auctions and other mechanisms implemented to extract lower prices from suppliers, the current evolution of Adam Smith's classical "invisible hand" of the marketplace. It is often argued and no doubt true that different business, social, and cultural contexts demand different types of relationships (see, for example, Fig. 1 for one aspect of distinction). However, we are not convinced that managers are as discriminating in recognizing these distinctions as they could be. Often, collaborative relationships fail NOT because they are inappropriate for a particular context, but rather because of obstacles in the path of making the transition from pure competition to collaboration.

Both buyer and seller are to blame for these obstacles. Spekman and his colleagues (e.g., Spekman, Kamauff, & Spear, 1999; Spekman, Spear, & Kamauff, 2002). have shown empirically that despite all their good words, many buyers are reluctant to build closer ties to their supply base because of the risks associated with being overly dependent on a more narrowly defined set of suppliers. In addition, observers have argued that many of the sought after benefits of collaboration are lost because buyers are quick to revert to old habits—i.e., price becomes the singular focus and any potential advantage to be gained from the supplier's expertise is lost. Sellers are also guilty of not practicing what they preach; they too fear

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[1] www.accenture.com/xd/xd.asp?it=enweb&xd=services%5Cscm%5Cscm_thought_fp.xml.

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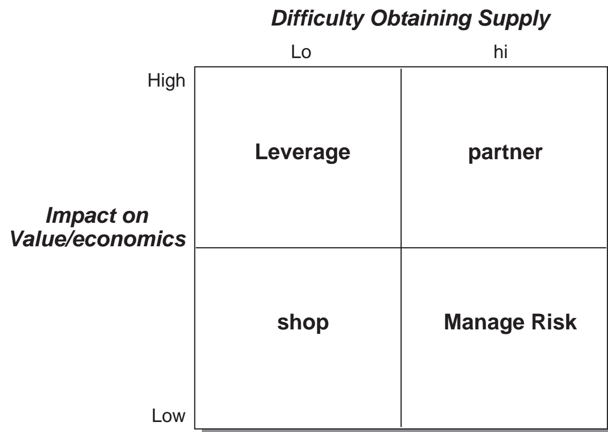

Fig. 1. Different buyer–seller contexts.

being taken advantage of. For instance, long-used models of sales techniques and personal selling behavior generally present the buyer as someone who must be persuaded to buy. The goal of the transaction is to maximize the seller's gain since the buyer is trying to do the same. Both parties come naturally to expect conflict due to the asymmetry in information and threat of opportunism that lies at the core of arm's length relationships, and therefore engage in activities that over time become engrained in their respective cultures and lead to unintended outcomes.

The purpose of this paper is to propose a framework, still emerging, that captures the elements critical to the transition process to collaboration. We begin with a brief overview of relationship marketing, which lies at the heart of true collaboration (the endpoint, if you will, of the transition).

We then present a framework that highlights the critical elements of the transition process-facilitating capabilities, drivers, and fundamental enablers. We deal with each in turn. *Facilitating capabilities* are those core competencies firms need to be successful in collaborative relationships; their absence may be viewed as fundamental obstacles to successfully making the transition, despite the best of intentions. *Drivers* are the engines that push the firm toward collaboration; in their absence, the firm's facilitating capabilities may languish unused, without direction, focus, or energy. Finally, *fundamental enablers*, often the least observable of the three, provide the cement that prevents the budding collaboration from falling prey to the tensions inherent in relationships of this type and to the unexpected environmental events for which it is impossible to plan but essential to adapt to.

2. Relationship marketing

Relationship marketing represents the confluence of several discrete research traditions. It grew out of work by MacNeil (1980) and Williamson (1975) that examined the difference between open market transactions and relational exchanges. Dwyer and his colleagues (1987) developed this work further, and the notion of a *transactional exchange* came to be recognized as a short-term event with low switching costs in which buyer and seller share little information beyond price and may be motivated by conflicting goals. Such exchanges were enabled by the existence of many suppliers and low switching costs. The need to protect against opportunism was irrelevant due to the large number of available sellers. *Relational exchanges*, on the other hand, extended over a period of time, required high investments, and involved high switching costs due to the critical and idiosyncratic nature of the assets exchanged. Given this criticality, parties developed social networks to ensure that their mutually compatible goals could be achieved. Opportunism was held in check through the development of trust, commitment and communications that served as the mortar binding the parties together. Thus, trust and commitment circumscribed the relationship by shaping the rules of engagement for the parties' interactions over time. Morgan and Hunt (1994) suggested that trust and commitment delimited the partners' choices since they were linked through personal ties, business ties and the spirit of the relationship (Spekman, Isabella with MacAvoy, 2000).

Another contributing school of thought evolved from the IMP Group. The central premise of their work is that business exchanges are embedded in a larger network characterized by stable and interactive long-term relationships (Hakansson, 1982). This perspective is tied to social exchange theory (e.g., Anderson & Narus, 1984), where trading partners adapt their behaviors as a sign of good faith, resulting in greater trust and concomitant closer linkage. Positive outcomes over time–both social and economic–increase the level of trust and commitment and shape relational norms that govern the nature of future interactions.

A third research stream flows from the work on *market-focused* organizations where the culture of the firm includes valuing the customer as a primary stakeholder. Narver and Slater (1990) argue that market-focused firms are dedicated to understanding their target markets, knowing the strengths and weaknesses of their key competitors, and working diligently to ensure cross functional integration that brings superior value to the marketplace. For example, Lukas and Ferrell (2000) show that a greater emphasis on these three dimensions of "market orientation" lead to more innovative new products. Customer orientation and cross functional integration tend to encourage more "new" products than competitive orientation due to a better understanding of customer needs and a greater voice given to different parts of the organization; competitive orientation appears to increase the prevalence of "me, too" products. It is important to note that within the B2B arena, market orientation and relationship marketing overlap: the focal point of the relationship is satisfying customers' needs through a longer term perspective (Kalwani & Narayandas, 1995). These market orientation skills are also tied to organizational learning, since they lead naturally to organizational adaptation and evolution (Dickson, 1996). One would expect that learning would in turn influence the quality of market oriented processes, and ultimately competitive advantage, in a virtuous cycle.

More recently, Reinartz, Krafft, and Hoyer (2004) support the tie between market orientation and CRM and emphasize that the strength of the relationships among the key actors in

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