

An exploratory study of ‘close’ supplier–manufacturer relationships

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Abstract

Close relationships with selected suppliers can enable manufacturers to reduce costs, improve quality and enhance new product development. Although the advantages of close co-operation are widely acknowledged in the literature, the specific attributes of such relationships are not well understood. To address this gap, 39 managers responsible for purchasing were interviewed using a technique from psychology, which is particularly effective at uncovering the characteristics of relationships. This approach is innovative in the context of supplier management research and gave insights into how manufacturers expect more from their suppliers than just reliable deliveries of high-quality, well-priced parts and components. The results of the empirical research enhance our knowledge of the attributes of manufacturer–supplier relationships and also indicate how manufacturers can establish close relationships with selected suppliers. Overall, the study has established the viability of a new approach for understanding the complex topic of manufacturer–supplier partnerships.

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1. Introduction

The value of effective supplier management is well known. Applied appropriately, it can significantly improve a manufacturer’s performance in terms of cost reduction, achieving constant improvements in quality levels, and enhancing new product design (Monczka et al., 1993; Primo and Amundson, 2002).

To achieve these advantages, practitioners have recognized the necessity of working closely with their suppliers, in what are often termed “partnerships” (e.g. Fretty, 2001; Kerns, 2000). Many academic studies have pointed to the advantages to be gained from co-operation with suppliers (e.g. Carr and Pearson, 1999; Monczka et al., 1993). Surprisingly, however, our understanding of the nature of supplier–manufacturer relationships remains limited.

Until the 1990s, manufacturers focused primarily on cost, quality and delivery in their dealings with suppliers and relationships were often “transactional”

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and “adversarial”. Manufacturers then started to consider a much wider range of factors including a supplier’s competencies, the overall service provided, financial stability and even the supplier’s organizational culture (Goffin et al., 1997; O’Toole and Donaldson, 2002). As it became recognized that suppliers could make long-term contributions, for example, to product innovation, a stream of literature started to recommend the development of partnerships with suppliers. For example, Metcalf et al. (1992, p. 27) stated that “the more cautious, arm’s-length relationships of the past are giving way to closer buyer–seller co-operation, driven by the perception that there are greater benefits to be obtained through such partnerships.” In recent years, managers have widely adopted the term partnership but they appear to use it in referring to a range of different relationships (McCutcheon and Stuart, 2000). In fact, partnership has become a “buzzword” because, as Brennan (1997, p. 768) notes, “fashionable managerial expressions are prone to over-use, abuse, and consequently to devaluation ... the same fate awaits, or may already have befallen buyer/supplier partnership.”

Although relationships are often discussed in the extant literature, there is a gap: how do managers perceive the range of different relationships they have with organizations in their supplier base? Our understanding of supplier–manufacturer relationships has been clouded by the implicit assumption that partnerships are always desirable and by the limitations of trying to understand the nature of complex relationships using direct questioning alone. The variety of conditions that lead to, affect or characterize close relationships is not adequately understood. In consequence, this paper describes how managers perceive relationships with their suppliers. The goal of the research was a better understanding of relationships, in order that they can be better managed. The current study is part of a wider program of research on supplier management, which focused on Germany because of the importance and reputation of its manufacturing sector (Rommel, 1991). The overall study took a multiple methods approach and the research described in this paper was based on 39 in-depth interviews. These utilized a technique from psychology for investigating inter-personal relationships—repertory grid technique. The application of this technique to supplier management research is

new. The results are important as they give a clearer understanding of relationships, demonstrate the viability of the methodology, and have implications for practitioners—indicating how they can manage their suppliers more effectively.

This paper has five further sections. Section 2 reviews the literature on manufacturer–supplier relationships. Section 3 presents the research question and explains the methodology. The results are covered in Section 4, followed by a comprehensive discussion of the findings and implications for both researchers and practitioners (Section 5). Finally, Section 6 presents the overall conclusions and ideas for further research.

2. Supplier–manufacturer relationships

Relationships between manufacturers and their suppliers are typically called “supplier–manufacturer relationships.” The term “buyer–supplier relationships” is broader in that it can also be used to refer to relationships between companies in the service sector. As this paper focuses on manufacturing, we will use the former term but shorten it to “supplier relationships” throughout. Supplier relationships range from transactional to close ones. In conducting research on relationships, it is important to recognize that the way in which the term “partnership” has been commonly used has led to confusion for three main reasons:

- (a) Relationships between manufacturers and suppliers are a form of business relationship, which are often described as partnerships. This does not infer that they have the same legal basis as a formal business partnership, or alliance. We propose that a better term would be “partnership-like” relationships, indicating a relationship that is not based on legal definitions.
- (b) Partnership-like relationships are context dependent rather than being an absolute concept. Several researchers have recognized that partnership-like relationships vary depending on how “close” they are (e.g. Ellram, 1991; Saxton, 1997). Therefore, the degree of closeness offers a way to both explore and explain relationships, including partnership-like relationships.

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