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How relationship conditions affect suppliers' resource inputs

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ABSTRACT

For partners in buyer-seller relationships to work effectively in transmitting and integrating resources as well as for value creation, each partner needs to invest in the relationship and needs to make it easy for the other partner to access their resources. However, every investment is risky and it is not certain whether investment objectives will be achieved. Thus, this paper addresses the question of which factors drive intention to invest in a customer relationship from a supplier's perspective. We propose and test three factors as positive investment drivers: the relationship quality; the suppliers' expectation of future access to their customers' important and intangible resources; and the relationship value perceived by the supplier. By analyzing interview and survey data from managers, the study finds support for the propositions. Relationship value and expectation of future access to the customers' resources have direct effects on suppliers' intentions to invest. Relationship quality also has a strong effect, mediated by the other two drivers.

CHINESE ABSTRACT

为使买方与卖方的关系促进对资源的有效利用和整合，以及价值的创造，每一个合作伙伴都需要对这个关系有所投入，以使另一方合作伙伴易于利用他们的资源。然而，任何一项投资都是有风险的，而且投资目标是否会实现也是不可确定的，故本论文从供应商角度探讨了哪些因素能够驱动供应商，使其愿意投资于客户关系。我们建议并测试了被认为是积极的投资驱动力的三个因素：关系质量；供应商对未来在该客户获得重要的无形资源的预期；以及供应商所感知的关系价值。通过分析来自管理人员的面谈和调查数据，本次研究的结果显示了对我们所提建议的支持。关系价值和在未来利用该客户的资源的期望对于供应商是否愿意对其与客户的关系进行投资有直接影响。关系质量也会以其他两个因素做媒介而产生很大的影响.

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1. Introduction

For buyer–seller relationships to work effectively in transmitting and integrating resources, and hence to act as value creation vehicles, the suppliers and customers need to invest in the relationship and to make it easy for the relationship partner to access each other's resources. However, making resource investments and allowing a supplier or a customer to access one's resources both have risks attached, so relationship conditions need to be such that a firm has the confidence to do so. In this paper, we draw on the supplier perspective and assess several factors that will affect whether or not and to what extent a supplier will invest in the relationship with a customer. This issue is important, as the rapidly developing customer attractiveness literature indicates (Hüttinger et al., 2012; Schiele et al., 2012).

Several theoretical streams support the notion that a firm needs to utilize its own and its partner's resources and integrate these sets of resources to develop future value if it wishes to be truly successful (e.g., Barney, 1991; Casciaro and Piskorski, 2005; Hunt and Morgan, 1995; Kozlenkova et al., 2014, Lin et al., 2001). With respect to business relationships, Dyer and Singh (1998) argue their relational view that firms that are able to combine external resources in unique ways can generate relational rents and thus gain competitive advantages. Furthermore, the service-dominant logic (S-DL) of marketing (Vargo and Lusch, 2008) supports the concept that the exchange of resources through a relationship leads to the creation of value-in-use by the interaction of the relationship partners.

The customer resources that supplier firms access through relationships are both tangible and intangible. Access to these resources is vital for collaboration and for co-creation of value in the relationship, so the success of supplier investments in customer resources to build relationships that allow for resource exchange

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and integration is a concern for supplier firms and requires that both customers and supplier firms work on development of the relationship. This requirement to work on the relationship means that each partner needs to put resources, both tangible and intangible, into the relationship (Ford et al., 1998), or at least make them available, in order to tap into the customer's resources.

However, as every investment is risky, it is not certain whether the intended objectives of such investments into customer relationships will be achieved from the supplier's point of view. As those investments may entail high costs, the question arises as to which factors drive a supplier's intention to invest into a customer relationship.

The IMP literature (e.g. Håkansson and Snehota, 1982) and the work of others such as Morgan and Hunt (1994) provide evidence that the nature of a relationship is an important factor in determining how well it allows for the transmission of intangible knowledge-based resources and, in turn, how well it can aid long-term relationship success. Furthermore, Dyer and Singh (1998) state that knowledge-sharing routines induce relational advantages by lowering the costs of knowledge transfer and enhancing the possibility of gaining new ideas and innovations. They are a function of prior related knowledge and the firm's partner-specific absorptive capacity that "is largely a function of the firm's level of prior related knowledge" (Cohen and Levinthal, 1990, 128). Consequently, Dyer and Singh (1998) argue that partner-specific absorptive capacity depends on overlapping knowledge bases of the two partners. But how are such shared knowledge bases built up?

The study described in this paper proposes that relationship quality is a major driver of a supplier's level of resource inputs into a relationship in order to get access to customer resources. The higher this relationship quality, the more two mechanisms that cope with or reduce the risks related to such investments are activated; the first one is the expected accessibility to the customer's resources and the second is the value of the relationship the supplier holds with the customer. We therefore propose that the main effect that relationship quality has on the supplier's intentions to invest resource into customer relationships is mediated by the expected accessibility to the customer's resources as well as the relationship value.

The study provides support for the propositions outlined above. In the next section, by reviewing relevant literature, the paper develops the conceptual model to test the study's propositions. It then describes the methodology and the analysis results. Finally, the paper discusses the implications of the study and future research issues.

2. Model development and literature review

2.1. Model structure

The following discussion develops the structure of the model that the study tests as well as its hypotheses as shown in Fig. 1. When investing resources into a customer relationship, a supplier has to deal with the trade-off between the attractiveness of the customer relationship as a positive expectation toward the relationship with this customer (Schiele et al., 2012) and the risks of not achieving the intended objectives of the investments. One can assume that the intentions to invest are higher the lower the perceived risk is that the investments will not result in the expected positive returns. Thus, the overall research question this study addresses is: *What are the drivers of a supplier's risk assessment when investing into a customer relationship?*

Literature on perceived risk states that it is based on two components: first the perceived importance of the consequences which might result from an incident ("Amount at stake") and, second, the perceived uncertainty about the incidence of negative consequences ("Probability that it might go wrong") (Hogan, 2001). In a relationship setting this risk can mainly be seen as a behavioral or endogenous uncertainty, which refers to the behavior of the relationship partner (Das and Teng, 1996; Williamson, 1985). Besides that, exogenous risks also exist that relate to environmental factors surrounding a business relationship and which are also taken together under the label of parametric uncertainty (Williamson, 1985). Following Koopmans (1957), the concept of parametric uncertainty can further be differentiated into primary and secondary uncertainty. While primary uncertainty refers to states of nature external to firms and the market arena, secondary uncertainties are caused by "innocent" and "non-strategic" behavior of other market participants that mainly results from a lack of communication between market participants (Williamson, 1985, p. 59). As the relationship partners cannot influence exogenous or parametric uncertainty, this study does not model the risks that are caused by it.

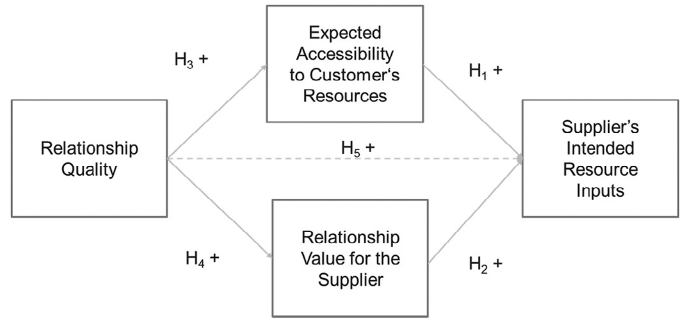

Fig. 1. Research model.

Against this backdrop, and in line with the literature on customer attractiveness, supplier satisfaction, and preferred customer status (Hüttinger et al., 2012), we start from the premise that suppliers' behavioral intentions with respect to a customer relationship are mainly driven by the two components of the perceived risk related to the behavior of the specific customer, the "amount at stake" on the one hand and the "probability that it might go wrong" on the other. In this sense, we see the value of a customer relationship as the quantity that is "at stake" in a relationship from a supplier's perspective. Supplier investments into a customer relationship will only be made if the value of the customer relationship justifies them – at least in the long run. Hence, expectations of the customer behavior with respect to positive returns from their resource investments are essential for reducing supplier uncertainty. The "probability that it might go wrong" is related to whether or not, and to what extent, a supplier will get access to the relevant customer resources. If a customer refuses or restricts this access, the positive returns of the collaboration will not occur at all, or only in a limited way.

In summary, we propose that the supplier's assessments of the expected accessibility to customer's resources in the first instance are driven by two factors: firstly the relationship value as assessed from the supplier's point of view and secondly by the supplier's expectations of the accessibility to the customer's resources.

As both drivers mentioned are future-oriented to a large extent, the supplier is dependent on certain indicators that are grounded in the nature of the specific customer relationship in order to make the necessary estimates. We assume that the relationship quality, as assessed by the supplier, serves as such an important indicator for predicting the future customer behavior as it covers key components reflecting the overall nature of a business relationship. Therefore, we propose that the supplier's assessment of the value of a customer relationship as well as of the expected accessibility