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Australasian Marketing Journal

journal homepage: www.elsevier.com/locate/amj

Managing supplier satisfaction: Social capital and resource dependence frameworks

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ARTICLE INFO

Article history:
Available online

Keywords:
Social capital
Resource dependence theory
Resource mobilisation
Supplier satisfaction
Cultural differences

ABSTRACT

Recently, supplier satisfaction has gained more attention both in practice and in academic research. However, the knowledge accumulation process is still in an embryonic and explorative phase. Likewise, supplier satisfaction measuring in practice may still benefit from an impetus from academia to be more widely used. This paper aims at considerably expanding understanding of supplier satisfaction by proposing to apply a social capital and a resource dependence theory perspective. We expect an abundance of social capital in a relationship to relate positively to supplier satisfaction, whilst power disequilibrium and dependence from the buyer are expected to negatively relate to supplier satisfaction. It is worth highlighting that, according to research rooted in Hofstede's cultural dimensions model, the perception and acceptance of power differences resulting from a situation of dependency is highly culture specific. We therefore further hypothesise that supplier satisfaction will be moderated by cultural differences and ask researchers to take the cultural dimension into account.

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CHINESE ABSTRACT

近来，供应商的满意度得到了更多的关注，无论是在实践中还是在学术研究领域。但是，知识的积累过程还处于萌芽和探索阶段。同样，将学术推动力更广泛地付诸于实践也有益于衡量供应商的满意度。本文提议采用社会资本和资源依赖理论的角度，旨在极大地提高对供应商满意度的理解。我们预计巨大的社会资本会出现在供应商和客户关系中，而这将会与供应商的满意度有积极的关联，但是权力的不平衡和来自购买方的依赖性预计将会消极地影响供应商的满意度。值得强调的是，根据以Hofstede的文化维度模型为基础的研究表明，对于因依赖而产生的权力差异的感知和接受有着极高的文化特定性。因此，我们做出了进一步假设，即供应商的满意度将会通过文化的差异来调节，并要求研究人员将文化的维度纳入考虑。

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1. Objectives: understanding the antecedents of supplier satisfaction in order to achieve preferential resource allocation from suppliers

At least two business trends may have driven the recent increase in research that addresses supplier satisfaction. First, a fundamental change in supply chain organisation has resulted in increasing responsibilities to suppliers. Second, this shift has coincided with a reduction of suppliers in many business-to-business markets. The resulting increased reliance on a fewer number of suppliers has prompted a supplier availability problem for buyers and,

in turn, a resource allocation problem for sellers. In essence, the problem is that suppliers have constraints on the resources that they can devote to any particular endeavour and “may only have the time and resources to form and satisfy the expectations of a limited number of alliances. By making choices to ally with some partners, others are *ipso facto* excluded” (Gulati et al., 2000, p. 210). Buying firms may not wish to belong to that group of “*ipso facto* excluded” customers. In a situation of supplier scarcity, those suppliers might be in a position to decide to which customer they allocate the bulk of their resources. If they are unsatisfied with the relationship with a certain buyer, this one is unlikely to be the winner in the resource allocation decision of the supplier.

Supplier scarcity has been reported in several industries, such as the luxury car industry in which producers rely on the same 30 suppliers for components of Mercedes E-class, Audi A6 and BMW

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5 automobiles (Wagner and Bode, 2011); the biotech field (Powell et al., 1996); software production (Lavie, 2007); and the railway industry (Schiele, 2008). For many types of industrial materials, no more than two or three leading suppliers remain in the market. As a result, these suppliers often become highly selective and do not dedicate their resources equally to all of their customers. Williamson (1991) argues that a supplier generally “responds first to the needs of his/her preferred customers” (p. 83), whereas less preferred customers are “forced to wait in a queue” (p. 81). In cases of uncertainty, suppliers first attend to their strategically important preferred customers and only subsequently conduct business with their regular customers. Schiele et al. (2011), Baxter (2012), Ellis et al. (2012) and Tóth et al. (2015) provide large-scale empirical evidence of the relevance of this phenomenon. This scenario represents a counterintuitive inversion of the classical marketing approach: to achieve preferred status and the associated benefits, buyers are competing for suppliers rather than the converse. The underlying assumption here is that supplier satisfaction is a necessary condition to achieve preferential resource allocation by suppliers (Schiele et al., 2012).

The implication of this role reversal, namely, the phenomenon of buyers that attempt to obtain the best resources from suppliers, is that they now have to care about supplier satisfaction. Caring for seller's satisfaction motivates important, related questions: how can buyers affect supplier satisfaction and how can existing theories be leveraged to explain this phenomena? Advancing testable insights to guide future empirical research helps accelerate the understanding of supplier satisfaction by increasing research results' compatibility, speeding up the mutual learning effect of diverse researchers, and systematically providing new insights around a phenomenon at hand. Evidence from extant literature supports this view, as theory-based studies tend to be cited more frequently (Chicksand et al., 2012). This paper will therefore take a theory-based perspective and propose social capital theory and resource dependency theory as perspectives to describe the phenomenon and, eventually, derive recommendations on improving supplier satisfaction, in order to ensure preferential resource allocation by the supplier.

In the following sections, we advance the intellectual background of the proposed research approach. Initially, we briefly review contemporary supplier satisfaction research and link it to social capital theory and resource dependence theories. Subsequently, we draw from Hofstede's multi-cultural research (1980) to establish the comparative management method of a multinational approach. Testable hypotheses are formulated.

2. Intellectual background: social capital theory and resource dependency theory

2.1. Supplier satisfaction as prerequisite for buyers to achieve preferential resource allocation from suppliers

Although customer satisfaction has already been recognised as relevant to business success for decades (see e.g. Anderson and Narus, 1990; Cannon and Perreault, 1999; Dwyer et al., 1987; Sigauw et al., 1998; Walter et al., 2003), supplier satisfaction has remained largely unexplored. However, supplier satisfaction may well be a prerequisite to accessing supplier resources. Those suppliers unsatisfied with the relationship with a particular buyer might be reluctant to provide this buyer with forms of preferential treatment. Wong (2000) was one of the first researchers to note that “partnering efforts should also take into consideration the satisfaction of the suppliers” (p. 427) because those efforts will not succeed if the suppliers' needs cannot be satisfied in the process. He stated that in a cooperative culture, the commitment to supplier satisfaction and constructive controversy will secure the full and whole-hearted support of the suppliers.

In sum, the author suggested that a relational and cooperative approach towards suppliers will result in supplier satisfaction with the relationship.

A similar conclusion was reached in a dyadic survey by Forker and Stannack (2000), who compared the effects of contrasting competitive and cooperative exchange relationships on the degree of buyers and supplier satisfaction. In line with Wong's assumption, buyers and suppliers in cooperative relationships expressed greater satisfaction than their counterparts in competitive relationships. However, buyers and suppliers appear to have a better shared understanding, in that they sense that the value they provide is compensated with equal value received, within the competitive relationship than the cooperative one. One possible goal for buyers aiming to increase supplier satisfaction could be to enter into more intimate relationships but organise interaction in a way that enhances the suppliers' perceptions of reciprocity and transparency.

Whipple et al. (2002) empirically tested the effect that information sharing between trading partners has on the dyad's overall satisfaction. They found that an increase in the amount of operational information exchanged has a positive impact on alliance satisfaction. However, their study also revealed differences in the perception between the dyadic partners. Whereas buyers appear to value the accuracy of the information exchanged, the additional critical factor impacting supplier satisfaction was the timeliness of the information exchange. As information and its early provision are particularly essential to a supplier's internal planning processes, it has a direct impact on the satisfaction experienced by the supplier.

Maunu (2003) described a conceptual framework with nine supplier satisfaction dimensions grouped under two headings: business-related dimensions and communication-related dimensions. Business-related supplier satisfaction dimensions are concrete, fact-based values and include profitability, agreements, early supplier involvement, business continuity and forecasting/planning. In contrast, communication-related dimensions are softer, human-based values. These values are composed of roles and responsibilities, openness and trust, feedback and the buying company's values. Relying on these nine dimensions, Maunu (2003) developed a questionnaire that allows the buying company to improve its processes with suppliers and external partners by measuring supplier satisfaction.

Benton and Maloni (2005) stated that “a supply chain is only as strong as its weakest link. Thus, a manufacturer cannot be responsive without satisfied suppliers” (p. 2). In their paper, these authors empirically tested the ways in which power-driven buyer-supplier relationships affect both performance and satisfaction. The authors differentiated between coercive-mediated power sources, reward-mediated power sources and non-mediated power sources. Whereas coercive-mediated power sources were found to have a negative effect on satisfaction, reward-mediated and non-mediated power sources were found to affect the level of supplier satisfaction in a positive way. Additionally, there was no evidence that performance drives satisfaction. Thus, supplier satisfaction appears to be driven primarily by the nature of the buyer-supplier relationship rather than by performance. If the power holder attempts to promote satisfaction, a relationship-driven supply chain strategy based on rewards and non-mediated power sources should be emphasised rather than a performance-based strategy.

Leenders et al. (2005) argued that relationship marketing efforts should also be applied upstream of the supply chain. To clarify the current purchaser-supplier relationship in terms of satisfaction and stability, these authors provided a framework called “The Purchaser-Supplier Satisfaction Matrix.” According to Leenders et al. (2005), positions on the satisfaction chart can be improved by a number of marketing and supply management tools. These include: granting substantial volumes, long-term commitments, and exclusivity

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