



Dependency on suppliers as a peril in the acquisition of innovations? The role of buyer attractiveness in mitigating potential negative dependency effects in buyer–supplier relations



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ABSTRACT

New product development occurs nowadays mostly in joint buyer–supplier projects, which require closer ties between the partners in order to mobilize their resources. One issue arising from this collaborative model is that the buyer tends to become more dependent on the supplier. Multiple cases of supplier obstructionism have been reported. To mitigate this dilemma, this paper analyzes the relevance of customer attractiveness as an enabler of collaboration. Testing this hypothesis on a sample of 218 buyer–supplier relationships, we show that dependency as such is not the issue in the presence of close ties. Buyers who are a preferred customer of their suppliers can accept the risk of becoming dependent on them. The managerial implications of this finding is that firms should apply a reverse marketing approach and thus attempt to become the preferred customers of their important suppliers. From a conceptual perspective, our findings indicate the need to consider dependency not as an isolated variable, but in conjunction with attractiveness.

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CHINESE ABSTRACT

当今涌现的新产品大多数是出现在买方和供应商的联合项目中，而这就需要合作伙伴之间更紧密的联系，以调动他们的资源。这个合作模式所带来的一个问题是，买方往往会变得更加依赖于供应商。供应商蓄意阻挠的案例时有报道。为了缓解这一困境，本论文分析了将客户吸引力作为双方合作的推动者的相关性。通过在218例买方和供应商关系的抽样中对这个假设进行测试，结果表明，如果双方存在紧密联系，那么这种依赖性将不会成为一个问题。如果买方是其供应商的首选客户，那么该买方就可以接受成为依赖于所带来的风险。这一发现在管理领域中的含义是，企业应该采取一个反向的营销方式，从而试图成为其重要供应商的首选客户。从概念上讲，我们的研究表明，对依赖的考虑并非一个孤立的可变量，而是要与吸引力结合起来。

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1. Introduction: challenges in handling dependency in close buyer–supplier relations

Actively managing access to the resources of key suppliers has emerged as a new topic on the agenda of industrial marketing and purchasing scholars and practitioners alike (Ellram et al., 2013; Pulles et al., 2014; Schiele et al., 2012). In order to achieve competitive advantage within a supply network, a buying firm needs to get better access to the industry's core suppliers than its competitors. Hence, competition for supplier resources deserves increasing managerial attention in business-to-business markets. Dependency issues become even more relevant. Supplier resources can consist, among

others, of production resources, i.e. production capacity allocated to the buyer at hand, as well as innovation resources, such as personnel dedicated to new product development projects (Steinle and Schiele, 2008). In particular, the latter aspect has gained relevance in recent years due to a fundamental change in the process of innovation. Until the last decade of the twentieth century, most firms conducted virtually all new product development (NPD) activities in-house (Huizingh, 2011, p. 1255; West and Bogers, 2014). However, this no longer seems to be the standard case. For instance, a longitudinal panel study covering the top European and American firms, responsible for three-quarters of the total corporate research and development budget, showed that their percentage of in-house NPD had fallen from 78% at the beginning of the 1990s to only 15% at the end of that decade (Roberts, 2001). Similarly, the level of outsourced development spending by US firms more than doubled in this period (Carson, 2007). The literature has reflected this trend by introducing the notion of network innovations (Freeman and

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Soete, 1997), and exploring the open innovation paradigm (Chesbrough, 2003, 2006).

In NPD vendors, rather than offering a finished product, sell their ability to identify an innovative solution (Golffetto and Gibbert, 2006). NPD relationships differ from typical channel relationships in areas such as material supply or distribution, because they require a creative contribution on the part of the external suppliers; a very different type of resource mobilization (Carson, 2007). To deliver their innovative contribution, external suppliers have to be integrated early on in collaborative NPD processes, with the consequence of forging substantially closer ties between buyer and seller (Clark, 1989; Handfield et al., 1999; Hartley et al., 1997; Lau, 2014; Primo and Amundson, 2002; Ragatz et al., 1997; Tracey, 2004; Wasti and Liker, 1997). Because such close ties require considerable resources, they cannot be established with a large number of suppliers, so firms tend to reduce their supply base. Often, the core supplier captures up to three-quarters of the buyer's business in a particular category (Ulaga and Eggert, 2006).

Being dependent on only one, or very few, suppliers increases risk for the buyer. Supplier obstructionism has become a frequently reported problem (Flynn et al., 2000; Hartley et al., 1997; Hibbard et al., 2001; Khoja et al., 2011; Petroni and Panciroli, 2002; Primo and Amundson, 2002; Zsidisin and Smith, 2005). A possible cause of obstructionism has been identified in the form of dependency on a supplier, in the sense of a “negative one-sided relationship” (Cousins and Crone, 2003, p. 1467). The worst-case scenario for a firm would be to be dependent on a supplier's resources for their innovation process, but being denied access.

Due to the growing reliance on collaborative NPD, among other reasons, there is a growing need for close buyer–supplier ties. Considering the challenge arising from the buyer becoming dependent on a supplier by integrating the supplier into its own processes and relying on the supplier's ability to innovate, our research question is:

How can the apparent trade-off between closer ties in the buyer–supplier relationship on the one hand and the danger of dependency – and consequent supplier opportunism – on the other hand be addressed? Are there conditions under which the buyer does not need to be afraid of becoming dependent upon a particular supplier?

The potential solution to this dilemma, which will be elaborated subsequently, is the discussion of the concept of “customer attractiveness”. The idea is simple; if the buyer is sufficiently attractive to the supplier, the latter will not abuse its power and instead provide privileged resource access. While past research on customer attractiveness has primarily been conceptual and case based (Benton and Maloni, 2005; Christiansen and Maltz, 2002; Ellegaard et al., 2003), the present study adds new empirical insights to the recent stream of quantitative research on customer attractiveness (Baxter, 2008, 2012a, 2012b; Hüttinger et al., 2014; La Rocca et al., 2012; Tóth et al., 2015). Our analysis of a large sample of buyer–supplier relationships provides evidence that it is not dependency as such that is the problem in the presence of close ties, but rather the coincidence of low attractiveness to the partner and a high degree of dependency on that same partner. This means that firms can accept dependency, provided that they are sufficiently attractive to the partner. This finding has substantial implications for both management and research.

With respect to management, the finding urges firms to reverse their marketing approach, not only by directing marketing towards their customers and attempting to become their preferred supplier (Ulaga and Eggert, 2006) but also to become a preferred customer of their most important suppliers (Baxter, 2012b; Schiele et al., 2011). The importance of being a preferred customer may extend beyond the extreme case of collaborative development and also apply to other situations, such as the buyer receiving preferential treat-

ment in event of production shortages and innovation sharing (Schiele et al., 2011). Generally, the buying firm may have to adopt marketing approaches that are typically dedicated to the downstream part of the value chain and apply them to the upstream part of the chain (Koppelman, 2000). Regarding our theoretical contribution, our findings suggest that the popular measure of dependency should be considered in conjunction with attractiveness, rather than alone.

In Section 2 we will elaborate on the relationship among dependency on a supplier, preferred customer status and the supplier's contribution to innovation, which lead to three testable hypotheses. We then present our model, the data and the results of the analysis, which are discussed in Section 5.

2. Theory and hypotheses: the triangle of dependency, preferred customer status and supplier's contribution to innovation

The theoretical issue of buyer–supplier dependency has appeared in many scholarly discussions. For example, transaction cost economics theory defines dependency in light of transaction-specific assets, which are assumed to influence the exchange behavior of transaction partners (Fink et al., 2011; Poppo and Zenger, 2002). Resource dependency theory argues that dependency creates vulnerability, which should thus be avoided (Cool and Henderson, 1998; Pfeffer and Salancik, 1978; Provan and Skinner, 1989). Additionally, principal-agent theory offers a conceptual explanation for this issue. The power relation shifts after the contract has been signed, creating a situation of post contractual lock-in. Increasing power on the part of the supplier could lead to opportunistic behavior (Lonsdale, 2001).

This situation may become increasingly commonplace due to the reduction in the number of suppliers and closer relationships with them (Ellis et al., 2012; Horn et al., 2013). As a consequence, intensive competition for suppliers' resource allocation takes place (Pulles et al., 2014). Moreover, firms often appear to lack particular competencies for supplier integration (Lakemond et al., 2006). During innovation processes, power may shift in favor of the supplier. A supplier that has been entrusted with development tasks increases its knowledge on the subject. The seller, by contrast, having delegated the task, faces the risk of gradually losing its competence and, potentially, its absorptive capacity to fully understand the progress that the supplier has made in solving the problem at hand (Cohen and Levinthal, 1990; Corsten and Felde, 2005). Thus, over the course of the relationship, the supplier is constantly expanding the competence gap. In this way, the buyer must increasingly rely on the supplier's resources to achieve its own goals; that is, the supplier becomes more dependent (Fink et al., 2011). Arguably, there is a correspondence between the balance of power in a relationship and dependency (Buchanan, 1992; Emerson, 1962; Provan and Skinner, 1989), meaning that the supplier could be tempted to exploit its increasingly strong position, which may lead to conflicts (Heide and John, 1988; Kumar et al., 1995). In the particular case of NPD, the increasingly strong position of suppliers could translate into suppliers withholding resources from the development project or not making the project a priority. Innovative projects are associated with a high degree of risk due to the uncertainty of the outcome (Keizer and Halman, 2007), which may not make them a supplier's preferred choice. Therefore, we postulate:

H1. *As the buyer becomes more dependent on the supplier, the supplier will be more reluctant to collaborate in NPD processes.*

Business relationships can be assessed in terms of benefits and costs. This means that the relationship continues as long as the

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