



Contingent effects of close relationships with suppliers upon independent restaurant product development: A social capital perspective

Meehee Cho^{a,*}, Mark A. Bonn^b, Larry Giunipero^c, John S. Jaggi^d

^a College of Hotel & Tourism Management, Kyung Hee University, 26, Kyungheedaero, Dongdaemun-gu, Seoul, 02447, Republic of Korea

^b Dedman School of Hospitality, Florida State University, 288 Champions Way, Tallahassee, FL, 32306-2541, United States

^c Business Analytics, Information Systems and Supply Chain Department, Florida State University, College of Business, Florida State University, Tallahassee, FL, 32306-1110, United States

^d Risk Management, AlSCO Inc., 505 E S Temple, Salt Lake City, UT 84102, United States

ARTICLE INFO

Keywords:

Independent restaurants
Restaurant-buyer relationships
Social capital
Product enhancement
New product development
Inverted curvilinear relationships

ABSTRACT

Despite recommendations that the restaurant industry more readily engage suppliers within their operations in order to expand capabilities, associations with restaurant business performance and supplier relationships remain unexplored in today's current restaurant literature. This study assessed restaurant-supplier relationships from the social capital perspective and evaluated roles social capital played in product enhancement and new product development within the independent restaurant context. Results demonstrated that independent restaurant product enhancement was positively and linearly associated with social capital derived from restaurant-supplier relationships. Results also found that building social capital within restaurant-supplier relationships positively influenced new product development, but when taken to an extreme, it exhibited a negative association through an inverted curvilinear effect. Results provide new insights for future research and practice regarding independent restaurant supply management practices.

1. Introduction

Although trends continue to support that an important part of the American lifestyle involves dining out in U.S. restaurants, analysts report that as many as 60% to 90% of restaurants fail in their first year of opening as a business (Parsa et al., 2010; Thangavelu, 2015). Historically, the restaurant business holds the dubious distinction as having one of any industry's highest failure rates (Gu, 2002; Parsa et al., 2005). This situation reflects more seriously upon the independent restaurant sector according to one research study, documenting that independent restaurants experienced a 3% drop in unit counts over the most recent reporting year, while numbers of chain restaurants were almost unchanged (NPD Foodservice, 2016). Hence, restaurant consultants and academics alike have been intrigued with possible causes related to this difficult business predicament and have subsequently identified critical issues pointing to an industry operating in highly competitive market places, with consumers possessing changing needs, wants and tastes (Assaf and Cvelbar, 2011; Autry et al., 2014). Additionally, unpredictability in food ingredient prices, consumer loyalty issues and food trends further exacerbate this difficult business environment (Lee et al., 2016).

Accordingly, restaurant managers strive to improve their ability to

respond to changes in market situations, while continuing to focus on effective product development processes, which have been proven to be an essential component for increased market competitiveness (Chou et al., 2012). 'Product development' in the foodservice industry is generally defined as business activities that involve developing new food product items and also making improvements to existing menu items, even if they appear to represent insignificant or minor changes (Ottenbacher and Harrington, 2009). To address effective product development issues, researchers have focused on buyer-supplier relationships since suppliers have been recognized as having greatly contributed to product development processes, which have ultimately impacted internal usefulness (Ragatz et al., 2002).

Buyer-supplier relationships have been widely addressed as a popular academic research topic in a variety of industries, including lodging and food service (Shi and Liao, 2013). For example, Kothari et al. (2005) emphasized the importance of supply partnerships for the US lodging industry which purchases thousands of products on a daily basis, and recommended partnerships that include well-established procurement systems in order to manage numerous interactions with suppliers. Georgiadis et al. (2005) developed a system dynamics modeling framework for strategic food supply chains in consideration of food product characteristics involving perishability and high

* Corresponding author.

E-mail addresses: chom2h2@khu.ac.kr (M. Cho), mbonn@fsu.edu (M.A. Bonn), lgiunip@business.fsu.edu (L. Giunipero), jjaggi@alisco.com (J.S. Jaggi).

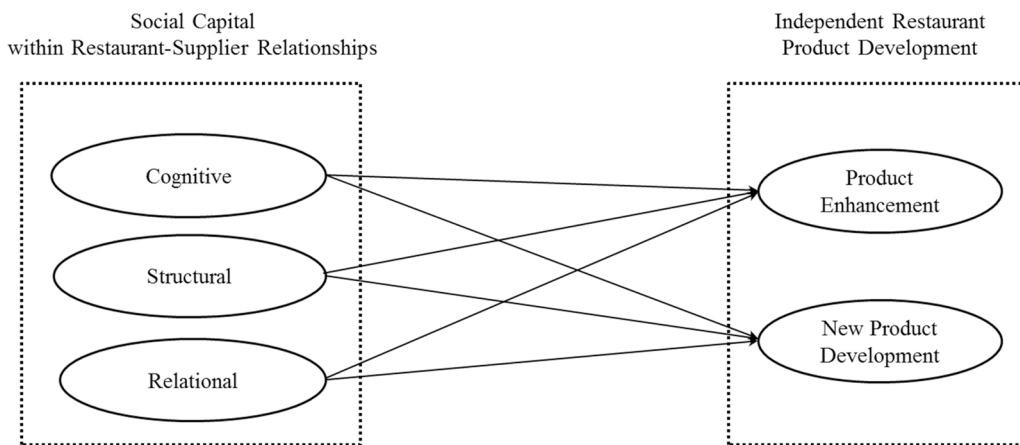


Fig 1. Research Model.

seasonality issues to better manage production and inventory challenges. Additionally, [Murphy and Smith \(2009\)](#) addressed the importance of building relationships with suppliers in the upscale restaurant context to understand the flow of goods and information for developing new products and also for solving any operational problems.

Consequently, research has focused on ‘close buyer-supplier relationships’ that can provide more positive motivation from the standpoint of suppliers offering beneficial information and supplies utilized for better buyer outcomes such as the acceleration of new product development, reduced product costs, improved product quality and refined customer service issues ([Petersen et al., 2005](#)). A recent publication noted that high risks specifically associated with the small business sector which typically includes independent restaurant operations, can be offset by maximizing a restaurant’s internal resources in combination with other available external resources ([Jogarathnam, 2017](#)). This discussion implies that restaurants can achieve benefits through supplier integration into their operations for acquiring external resources when structured into cooperative buyer-supplier relationships. These valuable additional resources may then be used to facilitate more successful restaurant product development activities such as those seen through the enhancement of existing products and also with new product development.

However, research addressing close buyer-supplier relationships has not always found support for their positive effects upon business performance ([Sorenson, 2003](#)). One study ([Anderson and Jap, 2005](#)) suggested that closely embedded ties with business partners do not always materialize into something beneficial. Those findings took note of possible risks associated with having very close, or tight interactions with suppliers, and suggested becoming “too close” with suppliers could lead to high levels of business rigidity. This rigidity may discourage the development of creative and independent business operations. Similarly, [Das et al. \(2006\)](#) revealed that strong relational ties with suppliers had no positive effect and in some cases, had negative effects upon the business performance of buyers. Consequently, later studies seeking to explain whether buyer-supplier relationships resulted in positive or negative effects adapted a situational point of view based upon contingency theory ([Narayanan et al., 2015](#); [Zhou et al., 2014](#)). That body of research concluded the manner and extent to which suppliers were integrated in a buyer’s business activities involving product development and product launching was an issue that needed to be determined after careful consideration of business product types and characteristics, business sizes and market conditions.

Overall, the restaurant industry has been documented as having relatively low entry barriers, with easily imitated product offerings, which contributes to a highly competitive and often undifferentiated market ([Jogarathnam, 2017](#)). Thus, this industry faces greater challenges in establishing an effective product development process for market penetration and also for understanding consumer needs related to

price-consciousness. Challenges such as these embolden independent restaurants to develop close and effective relationships with suppliers in order to expand their capabilities for enhancing market competitiveness. It is both interesting and important to note that the effect on business performance associated with close supplier relationships remains unexplored as a research topic in the restaurant literature. Therefore, this study specifically investigates how close buyer-supplier relationships influence independent restaurant product development.

For the purpose of this study, the concept of social capital is adapted to assess close restaurant-supplier relationships based upon the high level of interest, attention, recognition and value achieved as a resource ([Lawson et al., 2008](#)). Social capital is categorized into ‘cognitive’, ‘structural’ and ‘relational’ dimensions, which are assessed by degrees of shared values, norms of cooperation, information exchange, and open and frequent communication between buyers and suppliers ([Nahapiet and Ghoshal, 1998](#)). Thus, this study investigates the three social capital dimensions as resources derived from relationships with suppliers, and their influence upon independent restaurant product enhancement and new product development (see [Fig. 1](#)).

2. Theoretical framework and hypotheses

2.1. Social capital within restaurant-supplier relationships and product development

Social capital theory proposes that “network ties provide privileged access to valuable resources to members within those relationships of mutual acquaintance and recognition” ([Bourdieu, 1986, p. 249](#)). Social capital is defined as “the sum of the actual and potential resources embedded within, available through and derived from the relationships possessed by a company” ([Nahapiet and Ghoshal, 1998, p. 243](#)). Previous literature introduced a wide range of B2B connections representing intra-corporate business units, and also highlighted the importance of relationships with business partners as a source of social capital ([Podolny and Page, 1998](#)). Thus, social capital is known to constitute assets mobilized through inter-organizational relationships, and is recognized as a foundation for producing a better return ([Inkpen and Tsang, 2005](#)). In particular, buyer-supplier relationships involving product development have been viewed by these same scholars as resources for integrating capabilities provided to buyers, which facilitates knowledge creation and the achievement of successful product development activities such as the reduction of purchasing costs and production time. Thus, buyer-supplier relationships are commonly considered to be an approach upon which effective product development processes may be established based upon a cooperative business atmosphere which represents high levels of mutual respect, assistance, support and trust for one another that is shared in a positive and cognitive manner ([Hoegl and Wagner, 2005](#)).

Download English Version:

<https://daneshyari.com/en/article/5108212>

Download Persian Version:

<https://daneshyari.com/article/5108212>

[Daneshyari.com](https://daneshyari.com)