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# Relative buyer-supplier relational strength and supplier's information sharing with the buyer

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## ABSTRACT

Extant literature exploring the effect of buyer-supplier relationship on information sharing takes a dyadic perspective and overlooks the fact that adjacent relationships play a role in affecting buyer-supplier information sharing. Drawing upon the theory of social conformity, this research tries to reveal the impacts of surrounding buyer-supplier relationships on a focal supplier's information sharing with the buyer in the dyad. Using survey data from 178 Chinese manufacturing buyers who identified 768 suppliers, this study shows both informational and normative social influences in the supplier network, and finds that for a focal supplier, the relative buyer-supplier relational strength is negatively associated with the supplier's information sharing with the buyer. Furthermore, this relationship will be strengthened when supplier network density and dyadic buyer-supplier technological difference are high.

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## 1. Introduction

The research on relational strength and information sharing seems to reach a consensus that a strong relationship between trading parties helps their information sharing (Dyer & Chu, 2003; Hansen, 1999; Li, Poppo, & Zhou, 2010; Reagans & McEvily, 2003). With the trust developed from the strong relationship, trading partners are more likely to transfer complex information (Carey, Lawson, & Krause, 2011; Hansen, 1999). This stream of studies assume that information sharing between trading parties is at a dyadic level and determined by the quality of a dyadic relationship. Such assumption has led to extensive research on the different characteristics of dyadic relationships and their effects on information sharing (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Li et al., 2010; Uzzi, 1997; Zhou, Zhang, Sheng, Xie, & Bao, 2014). However, recent studies suggest that information sharing between trading parties may also be affected by surrounding relationships beyond the focal dyads (Choi & Kim, 2008; Rowley, 1997; Wu, Choi, & Rungtusanatham, 2010). Adjacent relationships developed by the same buyer with other suppliers can impose great pressure on the focal dyadic relationship, and thus affect the behavior of both buyer and supplier within the dyad (Rosen & Olshavsky, 1987; Wu et al., 2010). How adjacent buyer-supplier relationships will affect the information sharing within a focal buyer-supplier dyad becomes an

important strategic issue for the buyer in managing buyer-supplier relationships.

A supplier network, which is composed of suppliers of a common buying firm, forms a buyer-centered ego-network with the buyer as the ego and suppliers as the alters. It is the loci of social influence that affects a supplier's behavior and strategies towards the buyer (Fiegenbaum & Thomas, 1995; Kraatz, 1998; McEvily & Marcus, 2005; Short, Ketchen, Palmer, & Hult, 2007). Suppliers not only cooperate with the buyer, but also work together to provide the buyer with overall solutions (Choi & Kim, 2008). The sharing of a common buyer renders suppliers similarities in relations and roles, in the buyer's supplier network (Burt, 1987; Valente, 1995). Local norms as well as a reference frame guiding suppliers' behavior may be developed among suppliers of the same buyer (Galaskiewicz & Wasserman, 1989; Kraatz, 1998; Marquis, Glynn, & Davis, 2007; McEvily & Marcus, 2005). Drawing upon social conformity and social network theory, we argue that adjacent buyer-supplier relationships in a supplier network will exert significant impacts on supplier's behavior of information sharing with the buying firm.

Social conformity theory suggests that social members under normative and informational pressures tend to adjust their behaviors to align with their peers (Burnkrant & Cousineau, 1975; Deutsch & Gerard, 1955; Lascu, Bearden, & Rose, 1995; Suls & Miller, 1977). Suppliers in a supplier network on one hand are exposed to normative pressure to gain legitimacy, and are also expected to accept "social reality" and follow the practice from similar peers when they are confronted with ambiguity and uncertainty of sharing information with the buyer on the other hand (DiMaggio & Powell, 1983; McEvily & Marcus,

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2005; Short et al., 2007). We argue that the relative buyer-supplier relational strength compared to the average relational strength of the supplier network will determine the direction and extent of the behavioral adjustment that the supplier shares information with the buyer. This effect will be stronger when the supplier network density is high which indicates stronger network cohesion (Ahuja, 2000; Gnyawali & Madhavan, 2001; Valente, 1995), or when the dyadic buyer-supplier technological difference is large which implies more ambiguity and uncertainty in the information sharing (Phelps, 2010; Pisano, 1989).

This study tries to contribute to extant literature in several ways. First, our study reveals how surrounding relationships will affect the behavior of buyer-supplier information sharing in the focal dyad. By relaxing the assumption that buyer-supplier information sharing is determined by dyadic relational characteristics (Dhanaraj et al., 2004; Li et al., 2010; Uzzi, 1997; Zhou et al., 2014), our study takes adjacent relationships into consideration and explores the effect of relative buyer-supplier relational strength on a supplier's information sharing behavior. Second, responding to the call of moving beyond the dyadic relationships and taking the extended network into consideration (Choi & Kim, 2008; Rowley, 1997; Villena, Revilla, & Choi, 2011), our study broadens the buyer-supplier dyadic study into a holistic network perspective (Wu et al., 2010). Such perspective may give us more insights into supply chain management. Third, we also identified important boundary conditions of the effect of relative buyer-supplier relational strength on a supplier's information sharing, suggesting the informational and normative pressures through which adjacent relationships will have more impacts on the focal dyad.

The study is organized as follows. First, we review the literature and develop research hypotheses. Second, we present the research methodology and results. Finally, we discuss contributions, limitations and suggestions for future research.

## 2. Literature review

### 2.1. Buyer-supplier relational strength and information sharing

Buyer-supplier relational strength has been widely regarded as an important antecedent of information sharing between the dyadic parties (Cachon & Fisher, 2000; Gao, Xie, & Zhou, 2015; McEvily & Marcus, 2005). The rationale behind the logic is that a strong relationship between a dyadic buyer and a supplier helps alleviate the concern that the other partner may use the shared information at the sharing party's expense (Boddy, Macbeth, & Wagner, 2000; Dyer & Chu, 2003). Some studies suggest that sharing information with partners may place the focal supplier in jeopardy (Dyer & Singh, 1998; Inkpen, 2000; Lechner, Frankenberger, & Floyd, 2010; Villena et al., 2011). A buying firm may misappropriate the information shared by the supplier for its own benefits at the expense of the supplier (Lechner et al., 2010; Zhou et al., 2014). Suppliers may also be exposed to the risk of information leakage through the buyer to other competitors (Frenzen & Nakamoto, 1993; Li & Zhang, 2008). Or they may feel a loss of power when much information is shared to the buyer (Li & Lin, 2006). As such, suppliers are not willing to share information with the buyer unless trust and trustworthiness are developed through a strong relationship with the buyer (Berry, Towill, & Wadsley, 1994; Dyer & Chu, 2003; Li & Zhang, 2008).

This stream of studies takes a dyadic perspective and assumes that information sharing happens within a dyadic relationship between the buyer and supplier, therefore a dyadic buyer-supplier relationship plays its role in determining how well they share information with each other (Boddy et al., 2000; Dyer & Hatch, 2006; Palmatier, 2008; Powell, Koput, & Smith-Doerr, 1996; Rowley, 1997). With such assumption, extensive studies have been conducted on showing the effects of different characteristics of a buyer-supplier relationship on their information sharing (Carey et al., 2011). For example, Nyaga, Whipple, and Lynch (2010) found that credible commitment and trust in a buyer-

supplier relationship provide a safeguarding mechanism against opportunistic behavior and thus are positively associated with information sharing. Paulraj, Lado, and Chen (2008) suggested that the time duration of the relationship is positively related with effective communication.

However, recent studies suggest that surrounding relationships with other suppliers developed by the same buyer may also affect the information sharing within the dyadic buyer-supplier relationship (Cui & O'Connor, 2012; Wu et al., 2010). Wu et al. (2010) argued that a previous dyadic perspective on the buyer-supplier relationship neglects the facts that suppliers not only care about the buyer's interest, but are also concerned with their neighbor peers' strategies and actions. The role of a third party playing in the relationship interactions can be significant in affecting the buyer-supplier behavior in the dyadic relationship. For example, Caplow (1968) found that the "two against one" coalition in which two parties form an alliance to counterbalance the other party will affect the dyadic relationship when three players seek optimal gains for themselves. Cui and O'Connor (2012) suggest that prior research has predominantly focused on dyadic relationships without considering the important interdependencies among multiple partnerships. The sharing of information requires not only direct transfer between dyadic parties, but also requests synergy and coordination efforts between multiple alliances. Therefore, further exploration on the influences of suppliers' peer network is needed to gain more insights into their information sharing behavior.

### 2.2. Social conformity

Social conformity refers to the change of behavior when members in a social community tend to align their behavior with their peers (Burnkrant & Cousineau, 1975; Deutsch & Gerard, 1955; Lascu et al., 1995; Suls & Miller, 1977). According to Deutsch and Gerard (1955), there are two basic motivations that make members adjust their behavior with reference to other social members. First, social members seek information about reality by watching what others do in an ambiguous or uncertain situation (Burnkrant & Cousineau, 1975). Deutsch and Gerard (1955) refer to such motivation as informational social influence. The interest in accurately perceiving and effectively interacting with the environment give rise to imitating other's behavior in order to obtain precise knowledge about reality (White, 1959). When the appropriate behavior is not clear, individuals tend to rely on "social reality" as presented by others (Cialdini & Trost, 1998; Festinger, 1954). Cialdini and Trost (1998) identified such informational social influence as descriptive norms which shape the individual's own interpretation of and response to a situation. Second, social members seek conformity to local norms in order to legitimize their behavior and satisfy mutual expectations (Deutsch & Gerard, 1955; Marquis et al., 2007). The normative pressure occurs when social members are motivated to obtain social approval or avoid punishment from others (Burnkrant & Cousineau, 1975; Deutsch & Gerard, 1955). Cialdini and Trost (1998) defined such normative social influence as injunctive norms that motivate behavior by promising social rewards or punishments for it. Social members pursuing the goal of building and maintaining social relationships within a social community to acquire resources and social support are more likely to be attentive to such injunctive norms.

When sharing information with a buyer, the supplier by itself is not clear about what information can be shared and to what extent the information shall be shared with the buyer, given that the knowledge about the buyer and how the buyer will use that information is ambiguous and uncertain. The ambiguous reality about the buyer motivates suppliers to look for cues from other suppliers' behavior as the evidence whether the buyer is a reliable partner and will not take the chance to misappropriate the suppliers' benefits. In this case, supplier network functions as a reliable source of valuable knowledge (Gnyawali & Madhavan, 2001; Kraatz, 1998; McEvily & Marcus, 2005; Short et al., 2007). DiMaggio and Powell (1983) suggest that under conditions of

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