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Supplier adaptation: A qualitative investigation of customer and supplier perspectives

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ABSTRACT

Differing views and goals in the buyer–supplier dyad can create underlying tension in supply chain relationships. Although research recognizes that adaptation is often expected from both customers and suppliers in exchange relationships, researchers have not adequately explored the long-range relational implications of customer adaptation requests. This research uses data from two qualitative focus groups to examine the interaction of customers and suppliers surrounding adaptation, as prior research has not yet considered how the customer's response to adaptation may change if they are aware of how the supplier actually perceives and evaluates specific adaptation requests. The first focus group included 20 active participants representing both customer and supplier perspectives, while the second focus group included five participants to provide a more in-depth examination of issues that emerged in the first focus group. Results suggest that customers' and suppliers' adaptation expectations differ; each has difficulty recognizing adaptation conflict because of perceived benefits and biases surrounding adaptation. Results suggest several adaptation conflict management behaviors are utilized to minimize its negative impacts on supply chain relationships, including blameshifting, justifying and negotiating techniques. Results suggest that trust can create blind spots in relationships, potentially causing customers and their suppliers to have difficulty recognizing conflict until it deteriorates relationships' foundational trust.

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1. Introduction

Without question, the performance of any organization is influenced by the performance of its suppliers (e.g. Dwyer, Schurr, & Oh, 1987; Prahinski & Benton, 2004; Arnsenth, 2010). This relational dynamic often results in buying firms requesting “bullwhip”-like adaptations and changes from their suppliers to address downstream supply chain issues, such as customer demand variability, environmental uncertainty, technological innovations, and overall market instability (Cannon & Homburg, 2001: 32). For example, the highly publicized Wal-Mart RFID initiative of 2003, where Wal-Mart required its top 100 suppliers to adopt RFID technology to accommodate more efficient delivery service and facility operations, illustrates how industry pressures and environmental developments can trigger a need for upstream operational adaptations.

On the surface, such supplier adaptations result in supply chain improvements. In fact, extant research has suggested that cost reductions (Cannon & Homburg, 2001), increased flexibility (Hsieh, Chiu, & Hsu, 2008) and enhanced supply chain agility (Swafford, Ghosh, & Murthy, 2006) all accrue from upstream operational changes. However, a closer examination of the literature on these potential “benefits” of

supplier adaptation uncovers inherent tensions in this relational phenomenon.

A common thread across the aforementioned literature on supplier adaptation is that the performance improvements are all associated with customer firms. Hence, the only true documented benefits of supplier adaptation are customer performance enhancements. Interestingly, research has suggested that although suppliers may accommodate customer adaptation requests, they are likely to exhibit disengaging behaviors and harbor feelings of relational distrust because of the resulting operational pressures of adapting (Thomas, Esper, & Stank, 2010). Hence, a black box remains in our understanding of the supplier adaptation phenomenon. Why do suppliers fulfill adaptation requests, particularly if they are inclined to disengage and distrust? Likewise, are customers inadvertently placing the stability of their supply chains in jeopardy by placing adaptation pressures on upstream suppliers?

What was perhaps most intriguing about the Wal-Mart initiative was that the support from its supply base was mixed at best, with many suppliers choosing not to adapt because it would not be in their best interest (RFID Gazette, 2007). In line with this, recent dialogue has emerged suggesting that suppliers often view customers' adaptation requests as “bullying” (Neville, 2014), with a recent study by the Federation of Small Businesses finding one in five firms face supply chain bullying (Anonymous, 2014). The essence of this argument is that customer firms often push (or bully) suppliers into acquiescing to requests that will enhance the customer firm's operations, even at the expense of the supplier's financial and operational viability (Prosser,

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2013). Relational norms and power concerns have essentially resulted in an environment where suppliers may be implementing strategies that are not in their best interests, many times because they felt “bullied” into adapting (Boyd, Spekman, Kamauff, & Werhane, 2007).

Several theoretical perspectives support the assertion that customer requests for adaptations are likely to have an indirect adverse effect on supply chain operations, even to the point of being perceived as “bullying” by suppliers. For example, theoretical insights from the Relational View (Dyer & Singh, 1998) and Social Exchange Theory (Thibaut & Kelley, 1959; Blau, 1964) suggest that while adapting for specific customers may be beneficial to suppliers from a relational perspective, operational performance benefits may not be realized immediately (if at all). Moreover, literature streams in the areas of opportunism, conflict, and negotiation have all established that customers and suppliers inherently have different viewpoints on relationship issues (Gundlach & Cadotte, 1994; Cadotte & Stern, 1979; Rinehart, Tzong-Ru, & Page, 2008), often resulting in suppliers viewing customer requirements and expectations as conflicting with what they view as their self-prescribed role and responsibilities (Bettencourt & Brown, 2003). These underlying issues ultimately result in relational tensions (Frazier, 1983), tensions which are only minimally understood due to a lack of research on how suppliers are directly impacted.

The purpose of this research, therefore, is to investigate these potential relational tensions by exploring suppliers' willingness, commitment to, and overall perceptions of accommodating customers through supply chain adaptations. Due to the lack of extant research on these issues, this study employed a grounded theory approach to analyze qualitative data collected through focus group interviews. The focus groups included representatives from both customer and supplier firms, thus providing an exploration into not only supplier viewpoints of adaptation, but also how these perspectives are interpreted by customers' buying agents. The model that emerged suggests that the trust which allows for supplier adaptation may also be blinding customers and their suppliers to underlying conflict associated with such adaptation. Thus, the findings indicate that since adaptations can cause tension in the customer-supplier relationship, long-term stability and exchange require extensive relational negotiation and communication.

The next section reviews relevant research on supplier adaptation and outlines gaps in extant research which warrant a qualitative study. Section 3 discusses the details of the qualitative focus group methodology: the approach to qualitative data collection, evaluation of qualitative data for trustworthiness and validity, and methods of analysis. Qualitative results are then discussed in Section 4 with the framework that emerged from the two qualitative focus groups. In line with the grounded theory methodological tradition, Section 5 compares and contrasts the results with extant literature to discuss differences and extensions to previous research. While the literature review focuses largely on supplier adaptation, Section 5 integrates new literature related to concepts which emerged from the qualitative results, such as role conflict and trust. Finally, the paper concludes with theoretical and managerial implications, limitations of the research and opportunities for future investigation.

2. Literature review

Several streams of literature in marketing and supply chain management have addressed the underpinnings and conceptual domain of supplier adaptation. From a foundational perspective, the notion of suppliers adapting for customers is rooted in frameworks such as the industrial network approach (INA). The INA perspective suggests that companies are dependent on each other's resources and capabilities to create value, and the relationships and interdependencies between them result in informal industrial networks (Håkansson & Johanson, 1988; Håkansson & Snehota, 1995). Furthermore, the INA perspective establishes that adaptations to address market changes influence both

parties in an inter-organizational relationship, and represent a costly investment process for both suppliers and their customers (Håkansson, 1982; Mattsson, 1988).

Though such interfirm adaptations are seemingly inevitable, current environmental conditions have brought this topic to the forefront. Today's global marketplace is characterized by a growing interest in, and demand for, supply chain responsiveness and agility (e.g. Blome, Schoenherr, & Rexhausen, 2013; Wilding, Wagner, Gligor, & Holcomb, 2012; Gligor & Holcomb, 2012; Swafford et al., 2006). Supply chain agility refers to the ability to make operational changes quickly and with ease (Gligor & Holcomb, 2012). Agility has emerged as a strategic focus in many supply chains, primarily because it is viewed as a robust means of managing and mitigating potential supply chain risks (Narasimhan & Talluri, 2009; Braunscheidel & Suresh, 2009). The result of the growing popularity of agility has been an increased focus on operational changes in the supply chain, causing customer firms to expect a more flexible and adaptive supplier in order to respond to disruptions and maximize operational efficiencies (e.g. Cannon & Homburg, 2001; Gligor & Holcomb, 2012; Braunscheidel & Suresh, 2009).

This marketplace phenomenon has also resulted in research agendas that investigate the upstream supply chain impacts of operational change. For example, an emerging stream of research focuses on “supplier accommodation”, which is proposed as an overarching concept that captures all supplier responses to customer requests for operational changes (Murfield, Esper, Tate, & Petersen, 2016). Supplier accommodation is conceptualized as having two influential dimensions—supplier flexibility and supplier adaptation (Murfield et al., 2016; Cannon & Homburg, 2001; Hsieh et al., 2008). While supplier flexibility is defined as a supplier's *ability* to accept and respond to a customer's changing needs (Oh & Rhee, 2008; Avittathur & Swamidass, 2007; Noordewier, John, & Nevin, 1990), supplier adaptation refers to *actual* “changes in processes, products or procedures specific to the needs of a particular customer” (Cannon & Homburg, 2001: 33). Hence, supplier flexibility is what suppliers do proactively to prepare for customer requests for change; supplier adaptation is how they respond to specific customer requests.

Supplier adaptations can be categorized into “hard” adaptations, such as delivery, product and production process changes (Håkansson, 1982), or “soft” adaptations, which include changes in managerial values, organizational structure, and human resource elements (Schmidt, Tyler, & Brennan, 2007: 531; Moller & Wilson, 1995). Moreover, research suggests numerous reasons why suppliers might adapt, including customer preferred status, the relative power of customers (Brennan, Turnbull, & Wilson, 2003; Hallen, Johanson, & Seyed-Mohamed, 1991), or the exertion of pressure from customers (Thomas et al., 2010), as is consistent with the “supply chain bullying” concept discussed previously.

Although research has established the mutuality and dyadic aspects of supplier adaptation by highlighting how adaptation, and the reasons for it, involves both parties (Hallen et al., 1991; Mukherji & Francis, 2008), research on the outcomes of such adaptation focuses mainly on benefits to customer firms. Supplier adaptation signals commitment, which from the customer's perspective can strengthen their supply base and associated relationships (Håkansson, 1982; Walter & Ritter, 2003; Mukherji & Francis, 2008). In fact, recent research suggests that customer firms consider supplier firms' response to adaptation requests over time, which shapes how they view exchange relationships in the supply chain (Murfield et al., 2016). From a supply chain performance perspective, the literature suggests that customers realize cost efficiencies (Cannon & Homburg, 2001) and operational agility (Hsieh et al., 2008; Swafford et al., 2006) when suppliers adapt according to their customer requests. Overall, the general consensus in the literature is that supplier adaptation is directly beneficial to customer firms.

The supplier performance implications of adapting, on the other hand, are not as clearly established. The underlying issue is the need

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