



Role hazard between supply chain partners in an institutionally fragmented market



Maggie Chuoyan Dong ^{a,*}, Min Ju ^b, Yulin Fang ^c

^a Department of Marketing, College of Business, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong

^b Department of Marketing, University of Missouri-St. Louis, One University Blvd, St. Louis, MO, 63021, USA

^c Department of Information Systems, College of Business, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong

ARTICLE INFO

Article history:

Accepted 25 July 2016

Accepted by: Mikko Ketokivi

Keywords:

Role hazard
Sub-national institutional distance
Buyer–supplier relationship
Relational coordination
Action alignment mechanism
Emerging markets

ABSTRACT

A major challenge to supply chain management in emerging markets is the relational coordination problem arising from variations in sub-national institutions in which partners are situated. This study investigates role hazard, a critical yet understudied relational coordination problem. Drawing on role and institutional theories, we examine role ambiguity and role conflict as two facets of role hazard between buyer and supplier, their institutional source, performance outcomes, and firms' action alignment mechanisms as potential remedies. A dyadic survey of buyers and suppliers in China reveals that both role ambiguity and role conflict can result from sub-national institutional distance and jeopardize supply chain performance. The results also suggest that supply chain partners in different sub-national institutions can mitigate role hazard through continuous information sharing and dynamic adaptation. This study provides novel insights into how buyers and suppliers can enhance their relational coordination in emerging markets by reducing role hazard caused by sub-national institutional distance.

© 2016 Published by Elsevier B.V.

1. Introduction

Building and managing effective supply chain partner relationships is increasingly critical for firms (Craighead et al., 2009; Homburg et al., 2002; Hoopes and Postrel, 1999; Kabadayi et al., 2007; Kotabe et al., 2003). Yet many partner relationships fail to achieve their intended goals, due to relational coordination problems driven by misalignment of actions (Dyer and Hatch, 2006; Gulati et al., 2005; MacDuffie and Helper, 2006; Yan and Dooley, 2013). This problem is particularly prevalent and challenging in emerging markets, where sub-national institutions exhibit large divergence and are constantly evolving (Meyer and Gelbuda, 2006; Shi et al., 2012). In these emerging markets, institutional transition induces fundamental, uneven changes across regions, leading to great variations in sub-national institutions (Wright et al., 2005; Yang et al., 2012). When firms encounter supply chain partners with different regulatory frameworks, social norms, or business practices in such institutionally fragmented markets, relational

coordination problems can easily surface between partners, due to differences in firms' embedded knowledge and values acquired from their different institutional environments (Grayson, 2007). Sub-national institutional distance creates confusion about partner responsibilities, as well as compatibility issues between partners (Yang et al., 2012). Thus, it is imperative to examine relational coordination problems in supply chain relationships and particularly the impact of sub-national institutional distance in emerging markets.

Relational coordination problems often arise despite partners' best cooperative intentions. For example, a supplier perceives "a sales lead" simply as a possible future sale, but the buyer might assume it is a qualified lead, in the final acquisition stage, that deserves immediate attention (Narus, 2005). This inconsistent information interpretation, due to different roles in the relationship, can result in misaligned actions. As Williamson (1991, p. 278) notes, a "failure of coordination may arise because autonomous parties read and react to signals differently, even though their purpose is to achieve a timely and compatible combined response". This study aims to address the relational coordination problem by focusing on *role hazard*, a social condition in which partners' role obligations and responsibilities are vague, discrepant, and difficult to meet (Beehr et al., 1976; Nygaard and

* Corresponding author.

E-mail addresses: mcdong@cityu.edu.hk (M.C. Dong), jum@ums.edu (M. Ju), yifang@cityu.edu.hk (Y. Fang).

Dahlstrom, 2002). Specifically, we examine role ambiguity and role conflict as two facets of role hazard between buyer and supplier. *Role ambiguity* emerges if either party is uncertain about its authority and obligations in the collaborative relationship (Coelho et al., 2011; House and Rizzo, 1972). A supplier may experience role ambiguity when it is unsure of its power or means to terminate contracts with distributors. For example, it took Pepsi a year to end its contract with Perrier, a French distributor, because it was not aware of the unique local protections for distributors (Yeoh and Calantone, 1995). *Role conflict* materializes when either party perceives incompatibility in their standards, values, or responsibilities (House and Rizzo, 1972; Schmitz and Ganesan, 2014). Firms might face role conflict if distribution partners were to ask them to engage in illegal activities to secure political protection, as exemplified by GSK and Avon, recently found guilty of bribery in their business transactions in China (Ng and Rubin, 2014; Plumridge and Burkitt, 2014).

Role theory focuses on the roles that recipients and senders play in social interactions, which are induced through shared expectations and associated behaviors of different parties within specific contexts (Grayson, 2007; Heide and Wathne, 2006; Kahn et al., 1964; Nygaard and Dahlstrom, 2002). This theory thus helps explain the two specific facets of role hazard (role ambiguity and role conflict). Furthermore, institutional theory reveals the sources and formation mechanisms for role hazard, by emphasizing the impact of institutions and social structures that define the rules of the game, shape firms' expectations of roles (their own and others'), and inform operational business choices (Dacin et al., 2007; Scott, 2001). Drawing upon these two theories, we propose that sub-national institutional distance between supply chain partners represents a context-specific antecedent of role hazard in emerging markets. Although the relational coordination problem of role hazard is an inevitable result of institutional distance and cannot be eliminated, we propose that action alignment mechanisms (continuous information sharing and dynamic adaption) offer strategic solutions to mitigate it, because they can help close the gap of understanding created by sub-national distance, which is necessary for role clarification of partners (Dineen et al., 2006; Palanski and Yammarino, 2009; Simons, 2002).

This study contributes to supply chain management research in emerging markets in three important ways. First, previous research mainly applies a role-theoretic approach to examine individual behaviors within organizations (Grayson, 2007; Kahn et al., 1964), whereas we introduce role hazard at the interorganizational level and identify it as an important manifestation of relational coordination problems. Thus, this study helps address the fundamental question of how failed coordination arises between buyers and suppliers without conflicting interests. Second, most supply chain research addresses institutional impact on a firm's practices shaped by a single institutional context (e.g., Cai et al., 2010; Liu et al., 2010). We extend this perspective to supply chain relationships and investigate the institutional duality between supply chain partners in emerging markets. Using the Chinese market as a relevant context, in which institutional development and market mechanisms vary dramatically across sub-national regions (Cai et al., 2010), we undertake a fine-grained analysis of role hazard and the impact of sub-national institutional distance on supply chain relationships. Third, we suggest that two action alignment mechanisms, continuous information sharing and dynamic adaptation, reduce the extent to which sub-national institutional distance affects the level of role hazard. Thus, this study further offers strategic solutions that firms can use to handle role hazard in their buyer–supplier relationships (Yan and Dooley, 2013).

2. Theory and hypotheses development

2.1. Role theory and supply chain relationships

The theoretical root of role hazard resides in role theory, which characterizes the roles that recipients and senders play in social interactions (Biddle, 1986; Kahn et al., 1964; Tubre and Collins, 2000). This theory builds on the premise that “effective social interaction depends on a shared understanding of relationship rules, i.e., the behaviors that are (in) appropriate for different people in different social situations” (Grayson, 2007, p. 121). People formulate expectations of the privileges, duties, and obligations associated with the positions they occupy in society, as well as *ex ante* expectations of others (Solomon et al., 1985). On this basis, they can make predictions about others' behaviors and react accordingly. For example, buyers and sales agents in a sales situation typically expect reasonable promotion and negotiation tactics from their counterparts. Any perceived divergence from such expectations by either party can jeopardize relationship evaluations (Michaels et al., 1987).

Role theory has long been applied at the individual level to study role problems faced by salespeople and other boundary spanners.¹ A recent study elevates the theory to the organizational level, to explain firm interactions, but its use has been limited to certain, specific roles. Heide and Wathne (2006, p. 91) define an organization's role as “an organizational ‘identity’ or ‘collective mind’” and examine “businessperson” and “friend” roles in inter-firm transactions. Besides these roles, various other functional and structural roles also are available to firms in business exchanges (Biddle, 1986). Accordingly, we believe that it is necessary to generalize relational problems, regardless of specific roles the organization takes.

To broaden the conceptualization of organizational roles, we examine role ambiguity and role conflict as specific facets of role hazard that are relevant in supply chain relationships (Sell et al., 1981). In an organizational exchange relationship, either party can act as a receiver or a sender of the role script (Solomon et al., 1985). We investigate the beliefs and inferences of a single party to the exchange relationship; that is, we examine role hazard from the buyer firm's perspective, treating the buyer as the receiver and its supplier as the sender (Thomas et al., 1993). Informed by contract provisions and cooperation experiences, both buyers and suppliers have specified sets of tasks and responsibilities that hold them accountable. If either or both parties are confused about their authority, expectations of what they should accomplish, or evaluations, they experience role ambiguity, or a “lack of clarity and predictability of the outcomes of one's behavior” (House and Rizzo, 1972, p. 475). If incompatible standards, values, and expectations emerge, supply chain partners experience role conflict, defined as the “degree of incongruity or incompatibility of expectations associated with the role” (House and Rizzo, 1972, p. 475).

Role ambiguity and role conflict between supply chain partners are particularly salient in emerging markets, which often feature incomplete contracts. Therefore, partners' role specifications rely largely on their prior experiences. However, past cooperative experiences can be inapplicable, due to the uneven institutional development that occurs across sub-national regions in emerging markets, leading to ambiguous or incompatible interpretations of role responsibilities between supply chain partners. Despite the salience of role hazard in such emerging economies, its institutional antecedents remain unknown. To address this gap, the current

¹ Table 1 provides a summary of prior research on role ambiguity and role conflict at individual and organizational levels.

Download English Version:

<https://daneshyari.com/en/article/5111663>

Download Persian Version:

<https://daneshyari.com/article/5111663>

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