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Do professional service firms benefit from customer and supplier collaborations in competitive, turbulent environments?

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ABSTRACT

Although recent research on business-to-business professional service firms (PSFs) emphasizes the role and consequences of collaboration with business partners, we know little regarding the conditions under which bright-side benefits of PSF interfirm collaboration turn into dark-side drawbacks. Our study shows that customer and supplier collaborations have both bright and dark sides, and their benefits with respect to helping a PSF to drive service performance are contingent on the levels of the environmental competition and turbulence. In particular, we show that increasing levels of competitive intensity and environmental turbulence encountered by a PSF can diminish the capacity of customer and supplier collaborations to drive service performance. When the level of competitive intensity increases, the benefits of customer collaboration become more positive; however, the dark-side of supplier collaboration becomes more pronounced, which negatively influences service performance. When the level of environmental turbulence increases, the dark-side of customer and supplier collaborations becomes more critical and the benefits derived from interfirm collaboration to promote service performance can be lost.

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1. Introduction

Service firms now more than ever are operating in an increasingly confounding and uncertain environment, where the tempo is faster and the competition is stronger. In this competitive and turbulent environment, collaborating with external parties, customers and suppliers, is critical for service firms to maintain or strengthen their competitiveness by offering superior service to customers (see Carbonell, Rodríguez-Escudero, and Pujari (2009) and Villena, Revilla, and Choi (2011)). Despite the identified benefits of interfirm collaboration, there is evidence that interfirm collaborations that appear beneficial can also be vulnerable to decline or result in drawbacks under certain conditions (Anderson & Jap, 2005; Fang, Chang, & Peng, 2011; Mitrega, Forkmann, Ramos, & Henneberg, 2012; Yen & Barnes, 2011). This is particularly true for business partners that remain engaged and optimistic about their collaboration, but may have less commitment to the collaboration and explicitly seek self-interest goals (Anderson & Jap, 2005; Noordhoff, Kyriakopoulos, Moorman, Pauwels, & Dellaert, 2011). The transformation of the benefits from collaboration into drawbacks raises issues of a dark-side to interfirm collaboration (e.g., Anderson and Jap (2005) and Noordhoff et al. (2011)).

Indeed, the paradox of collaboration appears to emanate from the fact that although there are acknowledged benefits from interfirm collaboration, there is also evidence that outcomes of collaboration are not always positive, and the risks associated with failures in collaboration are high (Fang et al., 2011; Mitrega et al., 2012; Noordhoff et al., 2011; Yen & Barnes, 2011). In reality, benefiting from interfirm collaboration is never automatic and the current literature provides insights regarding factors such as trust, commitment, coordination, and social ties that help firms build effective interfirm collaboration. The literature also identifies factors that may diminish the effectiveness of interfirm collaboration such as, conflict, opportunism, tensions, and length of collaboration (Abosag & Naudé, 2014; Fang et al., 2011; Palmatier, Dant, & Grewal, 2007; Yen & Barnes, 2011; Zaefarian, Henneberg, & Naudé, 2013). Although these inter-relational factors help explain the reasons behind the termination of interfirm collaborations, the current literature offers a limited reflection on wider environmental factors such as the pressure of market competition and turbulence. However, these environmental factors can potentially affect the firm's emphasis on interfirm collaboration to develop superior services and may turn the benefits of customer and supplier collaboration into a dark-side. Without accounting for environmental factors, the extent that the bright-side of supplier and customer collaboration can turn into a dark-side cannot be fully understood by managers and scholars.

We believe that the benefits of interfirm collaboration can change over time because interfirm collaborations are dynamic (Mitrega et al.,

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2012), and contextual factors can influence the outcomes of these collaborations (Das & Rahman, 2010; Palmatier et al., 2007). Among different contextual factors, competitive intensity and environmental turbulence are key contextual factors that influence firm performance (Slater & Narver, 1994). However, the question of how the firm's perception of the market's competitiveness and turbulence affects their collaboration with their business partners (e.g., with suppliers or business customers) remains unanswered and deserves further research attention (see also Kandemir, Yaprak, and Cavusgil (2006)).

Addressing this question is critical for business-to-business (B2B) professional service firms (PSFs) due to the customized and high-contact characteristics of their services and their dependence on business partners to develop and deliver services (Noordhoff et al., 2011; Zaefarian et al., 2013). Services provided by IBM, Accenture, and Deloitte, which hold a place among Fortune 500 firms, are examples of B2B PSFs whose services are often developed by leveraging the resources and knowledge of their partners through collaboration. However, the field of B2B marketing contains limited research examining the role of PSFs' simultaneous collaboration with customers and suppliers under differing environmental conditions. Given this limitation, this study addresses the following research question: "To what extent do increasing levels of environmental turbulence and competitive intensity influence the dark and bright sides of a PSF's collaboration with customers and suppliers?"

In line with previous works, we define interfirm collaboration as the degree to which a PSF engages with two or more independent partners (e.g., suppliers, customers) to jointly develop and provide professional services (see also Simatupang and Sridharan (2005); Lee, Kwon, and Severance (2007); Menguc, Auh, and Yannopoulos (2014) and Millson (2015)). Furthermore, we adopt the position that collaboration with customers and suppliers has both bright and dark sides. In this sense, the benefits gained from collaboration can also be lost or diminished under certain conditions (Mitrega et al., 2012; Noordhoff et al., 2011). We use contingency theory as a theoretical foundation to develop our theory and investigate the extent that differing levels of competitive intensity and environmental turbulence turn the benefits that PSFs gain from supplier and customer collaborations into the dark-side, negatively influencing the PSF's capacity to drive the performance of services. Contingency theory adopts the premise of matching organizational activities with the corresponding environmental context and supports the view that there is no universal set of choices for all businesses that produce optimal outcomes (Briggs & Grisaffe, 2009; Venkatraman & Prescott, 1990).

Our study advances the business-to-business services marketing literature by examining the extent that increasing levels of competitive intensity and environmental turbulence encountered by a PSF diminishes the capacity to drive service performance through collaboration with customers and suppliers. This study is among the first to address a lacuna in the professional service literature on the dark side of PSFs' collaboration with both customers and suppliers.

2. Conceptual background

2.1. Service supply chains in the context of professional services

As markets become more competitive and customers more demanding, PSFs need to look outside their organizational boundaries for opportunities to collaborate to ensure that their service offerings are efficient and responsive to the increasing complexity of customer needs (Zaefarian et al., 2013). PSFs include firms that operate in a range of sectors such as engineering, financial, and management consulting providers whose business is characterized as providing knowledge-intensive, customized services that are interactively designed and delivered by the PSF and the business customer (Aarikka-Stenroos & Jaakkola, 2012; Greenwood & Empson, 2003). The rise of specialization

and knowledge-intensiveness prevalent in many industries has led many business customers to demand more from the services provided by PSFs (Jaakkola & Hakanen, 2013). This increasing demand has contributed to an increasingly competitive market for PSFs (Chae, 2012; Probert, Connell, & Mina, 2013). In this context, providing services with superior performance that addresses business customers' needs can be challenging, particularly when high levels of collaboration are required to produce the service. In this sense, collaborating with business partners (e.g., suppliers and customers) can help PSFs to access complementary external resources and capabilities without the risks of internal development (Trkman & McCormack, 2009). In particular, interfirm collaboration provides a foundation that promotes knowledge sharing and learning (e.g., know-how to do a specific task), which in turn increases the PSF's capacity to develop and deliver superior services to customers (Cao & Zhang, 2011; Jaakkola & Hakanen, 2013; Menguc et al., 2014).

2.2. Dark-side of interfirm collaboration

Understanding the antecedents and outcomes of effective interfirm collaboration represents an enduring and important issue for both scholars and practitioners over previous decades (Finch, Zhang, & Geiger, 2013; Menguc et al., 2014). The current literature has focused heavily on factors such as trust, commitment, coordination, formalization, and social ties that are now acknowledged as helping firms develop effective collaboration with suppliers and customers to enhance financial performance (Abosag & Naudé, 2014; Carbonell et al., 2009; Mitrega et al., 2012; Palmatier et al., 2007; Zaefarian et al., 2013). However, along with this research, a growing body of work investigates factors that may diminish the effectiveness of interfirm collaboration, focusing on factors such as conflict, opportunism, tensions, and length of collaboration (Barnes, 2005; Fang et al., 2011; Villena et al., 2011; Yen & Barnes, 2011). In the latter stream of research, many suggest that interfirm collaborations that appear beneficial can also be vulnerable to decline or have a dark-side (e.g., Anderson and Jap (2005) and Noordhoff et al. (2011)).

Anderson and Jap (2005) argue that the dark-side of interfirm collaboration can be different from termination or breaking up the relationship due to conflicts and ongoing disagreements. Instead, the dark-side reflects business relationships in which the parties remain engaged and optimistic about their collaboration; however, both parties may have less commitment to the collaboration and explicitly seek self-interest goals, which ultimately influence the effectiveness and outcomes of the collaboration. In this sense, partners engaged in the collaboration may not receive the benefits they initially expected and may become unsure of the relationship and lose their motivation for the collaboration. Based on Noordhoff et al. (2011), we argue that collaboration with suppliers and customers in the context of B2B professional services has both bright and dark sides, and the effectiveness of these collaborations changes based on contextual factors. We adopt the position that factors that drive PSFs to collaborate with suppliers and customers (e.g., intensifying competition and environmental turbulence) can also diminish the effectiveness of these collaborations (see the similar position in Anderson and Jap (2005, p. 75)).

3. Hypothesis development

In this study, we focus on interfirm collaboration as the degree to which a PSF engages with two or more independent partners (e.g., suppliers, customers) to jointly develop and provide professional services (see also Simatupang and Sridharan (2005); Lee et al. (2007); Menguc et al. (2014) and Millson (2015)). According to Ragatz, Handfield, and Petersen (2002), this form of collaboration in new product development may range from simple consultation on design ideas to making suppliers fully responsible for the design of components, systems, processes, or services. Building on the view of Ragatz et al. (2002), we argue that supplier collaboration enables a PSF and a

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