

SOCIALIZATION IN THE DEVELOPMENT OF BUYER-SUPPLIER RELATIONSHIPS: A TALE OF TWO PARTNERSHIPS

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ABSTRACT

This study builds on the work by Cousins and Menguc (2006) and Cousins et al. (2006) who recently introduced the notion of socialization in operations management literature and find a positive link between socialization and communication quality. We examine the development of these two constructs in two dyadic studies of collaborative buyer-supplier relationship from 2005 to 2007. We analyze interview transcripts at various levels and present the development of socialization and communication quality through the use of conceptual displays. Our findings indicate socialization efforts can stimulate the development of collaborative buyer-supplier relationships, but do not necessarily enhance the relationship. First, socialization efforts may be focused on operational and tactical levels of the relationship, while the main concern for relationship improvement lies at strategic level. Secondly, the history of collaboration between the companies (“shadow of the past”) may moderate the positive relationship between socialization efforts and communication quality.

Keywords: socialization, communication quality, longitudinal case study

INTRODUCTION

Companies increasingly engage in the development of collaborative relationships. Dyer and Hatch (Dyer & Hatch, 2006) have shown how collaborative relationship with a network of suppliers creates competitive advantage for Toyota. Other companies, such as Microsoft and IBM in the computer industry, as well as Lockheed Martin and Boeing in the aerospace industry use preferred supplier programs to enhance learning from their supplier network. Ulaga and Eggert (Ulaga & Eggert, 2006) find that service support and personal interaction are key differentiators in key supplier relationships. Storey et al. (2005) also acknowledge that managing collaborative relationships requires constant nurturing. In the academic literature, many authors have contributed to the rich body of research on collaborative buyer-supplier relationships. The roles of commitment (e.g. Morgan & Hunt, 1994), communication (e.g. Mohr & Spekman, 1994), dependency (e.g. Gulati & Sych, 2007), trust (e.g. Doney & Cannon, 1997) have received much attention in marketing research. These constructs have also been used in the operations management literature concentrating on managing and developing buyer-supplier relationships (e.g. Fynes et al., 2008). Cousins and Menguc (2006) and Cousins et al. (2006) have introduced socialization as a new concept to the buyer-supplier relationship literature. Both their studies are survey-based and stress the importance of using multiple-source data (e.g. dyadic) as well as adopting longitudinal perspectives on socialization efforts in the development of buyer-supplier relationships. We use such an approach and examine the effect of socialization efforts on communication quality in two longitudinal case studies of collaborative buyer-supplier relationships. We analyze interview

transcripts from multiple respondents both within the buying and the supplying company for three consecutive years.

Our findings show that socialization efforts contribute to communication quality although the positive effect between these constructs is moderated by the shadow of the past between the companies. If the relationship has gone through several negative experiences and there is skepticism about the continuity of the relationship, then the positive effect of socialization on communication quality may be hampered by the negative influence of prior history. However, in relationships with a positive history of collaboration between the companies socialization mechanisms indeed stimulate communication quality.

THEORETICAL BACKGROUND

This study aims at expanding our understanding of the role of socialization in the development of buyer-supplier relationships. The concept of socialization has its roots in organization behavior literature. For example, Morrison (2002) looks at organizational socialization and builds on the work by Van Maanen and Schein (1979) and regards socialization as “the process by which an individual acquires the attitudes, behavior, and knowledge she or he needs to participate as an organization member” (Morrison, 2002, pp. 1149).

Cousins and Menguc (2006) and Cousins et al. (2006) introduced the notion of socialization in supply chain research. Building on work in strategic management (e.g. Gupta & Govindarajan, 2000, Chung et al., 2000), Cousins and Menguc (2006, pp. 607) define socialization as “the level of interaction between, and communication of, various actors within and between organizations, which leads to the building of personal familiarity, improved communication and problem solving”. In another contribution, Cousins et al. (2006, pp. 853) use an alternative definition of socialization, based on the work by Van Maanen and Schein (1979): “the process by which individuals in a buyer-supplier engagement acquire knowledge of the other enterprise’s social values and norms”. This second definition has, contrary to the first, no specific reference to the interaction between the parties involved in the relational exchange. Actually, interaction is in this second study considered as construct of relational capital together with mutual trust and respect (Cousins et al., 2006). Another difference between the two studies lies in the distinction between informal and formal socialization mechanisms by Cousins et al. (2006). The formal mechanisms are related to the structure and processes needed to facilitate socialization efforts in the relationships, whereas informal socialization efforts more often occur outside of the physical setting of the workplace. The operationalization of these constructs, however, is ambiguous. For example, the use of workshops is considered a construct of formal socialization, whereas these are often off-site meetings that are not formalized in the relationship. Consequently, the use of workshops is expected to be an informal socialization mechanism. We follow the socialization definition by Cousins and Menguc (2006) who do not make a distinction between formal and informal socialization mechanisms, and who include interaction between the companies as part of socialization rather than considering it as a form of relational capital. Their study shows the positive effect of socialization on supplier operational performance and communication performance, which in turn positively affect the buyer’s perceived level of supplier’s contractual conformance. They conclude that their “research clearly shows that if the firms want to enjoy the benefits of collaboration they must also invest in ‘socialization’ activity” (Cousins & Menguc, 2006, pp. 618).

In our study, the focus is on the link between socialization and communication quality. The importance of communication in developing improved buyer-supplier relationship has been stressed by various authors. For example, Anderson and Narus (1990) and Fynes et al. (2005) consider communication as one of the antecedents of relationship trust. Goffin et al. (2006) also consider communication as antecedent to trust in their conceptual model of supplier partnerships. In the work by Fynes et al. (2005, 2008), communication is conceptualized based on the study by Heide and John (1992). The items of the construct are especially designed to capture the amount of

information sharing between the partners rather than looking at the quality of the communication. Mohr and Spekman (1994) study various aspects communication (i.e. communication quality, participation, and information sharing) and consider timeliness, accurateness, adequateness, completeness, and credibility as elements of communication quality in their study on the characteristics of partnership success. Apart from the critical role of communication quality to partnership success, they also stress the importance of the willingness to coordinate activities by the partners, trust, and commitment as key elements of strategic partnerships. Communication can also be seen as a relational competence directly affecting buyer and supplier performance. However, the supposed positive relationship between communication and performance receives support in the study by Paulraj et al. (2008) while Prahinski and Benton (2004) do not find such a relationship. Furthermore, Cousins and Menguc (2006) find in their cross-sectional study that socialization efforts are positively related to supplier's communication performance as well as to supplier operational performance. Communication performance consists of communication effectiveness, information exchange quality and timeliness, and feedback from the supplier in their study. This perspective on communication performance has clear similarities with the definition of communication quality by Mohr and Spekman (1994). The main contribution of our study lies in examining the development of socialization efforts and its effect on communication quality over time.

RESEARCH METHOD

We study the development of two collaborative buyer-supplier relationships that are part of a special key supplier platform set up by the focal buying company just before the start of our study. The focal buying company is a large multinational firm active in the high-tech industry and has five main business units which are all operating in global markets. We analyze the relationships with a global logistics services provider and a key IT services provider. The IT services provider used to be part of the same organization as the focal buying company and as a result has strong historical ties at organizational and employee level. The cooperation with the logistics services provider is also a long-standing relationship and has more than 15 years of history. This relationship, however, does not have such strong historical ties with the focal buying company as the IT services provider. We refer to the buying company as buyer A1 in its relationship with the global logistics services provider (supplier B), and as buyer A2 in its relationship with the IT services provider (supplier C). None of the respondents of the buying firm is engaged in both of the studied relationships. Data collection is based on three rounds of interviews with respondents from both the buying and the supplying company and with a 1-year time interval in the period from 2005 to 2007. The respondents are identified in close cooperation with our contact persons of the participating companies and cover multiple areas of the relationship between the companies, for example by variation in the business unit, the hierarchical level, and the geographical location of the respondent. This approach allows us to simultaneously collect data for quite separated activities within the same buyer-supplier relationship. Ross and Robertson (2007) stress that studying compound relationships (i.e. different relationship levels) allows us to better understand the actual development of business relationships. Moreover, we include the same functional areas in each of the consecutive years of study. In other words, respondents that leave the firm are replaced by their successors to maintain consistency in job descriptions of the participating employees.

The interviews are semi-structured and the respondents are asked to elaborate on various aspects of their relationship with the partner company through a 41-item survey (see Van de Vijver & Vos, 2007). Their answers to these survey items are used as starting point for the 15 to 20 minute interviews in which the respondents elaborate further on their view of the buyer-supplier relationship. All interviews are conducted by telephone since respondents are located in four different continents. The overall response rates from 2005 to 2007 are 90%, 75% and 68% respectively. Small decreases in response rates in longitudinal studies are not uncommon in studies

of buyer-supplier relationships (e.g. Jap & Anderson, 2003). In total, 157 interviews are part of our study and all transcripts are analyzed using a theoretically defined coding scheme. We use the definition by Cousins and Menguc (2006) to identify text fragments related to socialization and define communication quality with the dimensions proposed by Mohr and Spekman (1994): timeliness, accurateness, adequateness, completeness, and credibility.

The coded fragments represent level 0 in the qualitative analysis and are assessed for each organization, and for each year by using the query tool in Atlast.ti 5.2. A summary per respondent is made for each code in each year and these summaries form level 1 of the analysis. Then, the summaries per respondent for a certain year and a certain code are combined into a summary per organization (level 2 of the analysis). Our qualitative approach with different levels of analysis allows us to carefully distill the richness of the data and to maintain the multiple perspectives on the relationship both across the dyad as well as within the buying and supplying organization.

RESULTS

In this section, we present the development of socialization and communication quality in both collaborative buyer-supplier relationships with thematic conceptual displays (Miles & Huberman, 1994). The amount of coded fragments is shown in brackets in each of the cells of Tables 1 and 2.

Relationship I: Buyer A1 and supplier B

In this relationship, supplier B provides global logistics services to the business units of buyer A1. These activities include transportation as well as warehousing services. Both companies are originally European and nowadays act as global players. The global character of the relationship is also part of the summaries from the interview analysis as presented in Table 1. In 2005, most concerns about the level of socialization and quality of communication in the relationship are present outside the European home market. Supplier B indicates more informal interaction is needed to develop the relationship in Asia and the US. Furthermore, communication is poor in Latin America. Still, in general communication is quite open and at a reasonable level in other areas, especially at the senior management level. Both companies participate in several informal events (e.g. buyer A1 attending a logistics society meeting organized by supplier B). In addition, including more representatives from the business units in the discussion between corporate entities and supplier B employees has improved the relationship. There are also examples of co-location of buyer A1 and supplier B employees, and of joint projects between the companies. In 2006, the relationship in North America improved through increased interaction between the companies. Moreover, increasing the frequency of contact through travelling to specific regions has especially helped in relationship development. The joint initiatives between the companies continued in 2006 and 2007 and also expanded to other areas. For example, one business unit of buyer A1 manages the logistics activities jointly with supplier B and they also jointly monitor performance. In general, communication quality remained at a satisfactory level. However, some problems occurred in a project for developing a new logistics service (2006 and 2007). Supplier B raised expectations in its communication with buyer A1 that eventually could not be met. In addition, there are some concerns about the limited involvement of supplier B senior management in tendering procedures and the mistakes (accuracy and completeness) made in these procedures by supplier B. These problems are also acknowledged by supplier B. Still, there generally is quite open communication between the companies regarding mutual expectations. Finally, site visits and face-to-face meetings have been used to enhance the communication and cooperation in Latin America and France. In Latin America, the appointment of a new global account manager has been helpful in revitalizing the relationship following the severe problems with communication between the parties signaled in 2005.