SUMMARY OF THESIS

for

Anikó Bódi-Schubert

The conceptual model of success in buyer-supplier relationships

Ph.D dissertation

Supervisor:

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associate professor

Budapest, 2011
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I. RESEARCH AIM AND SCOPE

During my university and doctoral studies, I have been continuously dealing with buyer-supplier relationship researches. During these researches, I was always thinking of what make these relationships to function well? What can be the reason for the business partners to cooperate with certain buyers/suppliers, while they are unwilling to deal with another partners or try to minimize the cooperation with them? What is the secret of success in a well-performing relationship? What does success mean for the cooperating business partners, and how success of a relationship can appear in practice? When and why can a relationship be identified as successful at all, and how can success be – as a focal phenomenon of our everyday life – understood in the context of buyer-supplier relationships?

This thesis focuses on a definitely exploratory research, which aims to create a conceptual framework on the meaning and role of success in buyer-supplier relationship’s operation and development. Related to this, a further research point is to analyse the time-dimension of success: how success changes and develops over time. The basic elements of my research are the relationships between supplier and buyer business partners, so my empirical study will focus on these dyads.

In my opinion this kind of research of B2B relationships has high importance because of two main reasons. First is that analysis of business relationships, especially buyer-supplier relationships are important not only from the point of the general understanding of the structure of relationships, but these dyads are essential elements of the network economy as well. The deep understanding and structural apprehension of each business networks can be properly achieved with the understanding of „contained” relationships. In order to be able to make detailed analysis about a network, it is necessary to have precise and valid information about its contained relationships (Gelei, 2009).

Furthermore, the results of this research can provide guideline for researchers and businessman to analyse, support and evaluate business decisions and to develop and appraise the relationship-portfolio of a company.
From a theoretical approach the core research problem can be defined through answering the following research questions:

0. **Can business success and relationship success be understood as substantive phenomenon in buyer-supplier relationships?**

The confirmation of the statement – created based on the literature review part – can be apprehended as the pre-requisite of research question’s examination. According to it, the idea of success in business relationships may be separated into two major parts: business-success – measurable by financial indicators and understood mostly on self-sufficing company level – and relationship-success – measurable by soft performance indicators and understood as the fulfilment of the partners’ common goals and joint performance. My dissertation will focus on analysing the structure of relationship-success and the interrelation of business and relationship success goals.

1. **How can success be understood in a buyer-supplier relationship context?**

The aim of this research question is to define the idea of success in buyer-supplier relationships, to understand how the cooperating parties define and describes the idea. How can the content of this phenomenon be apprehended in certain relationships? Furthermore, what are the requisites to reach success and what are the consequences of being successful or unsuccessful?

2. **What is the role of success in buyer-supplier relationships, and how does it change over time?**

In order to provide a complex approach of success in business relationships, it is necessary to analyse what is the role of success in the functioning of relationships. What is the exact meaning of success – as an abstract idea – in business relationships, and how does it affect the operation of the relationship? Can the assumption – created by the joint understanding of several literature reviews’ result – be justified that success appears in different forms at each development stages of the relationship?

3. **How does success influence the development of the relationship?**

Related to the previous research question, I consider it seriously important to analyse how success can support the development of relationships? Can it be confirmed that success
supports development, while the lack of success can cause disruptions in relationship development?

My research questions can be considered as both practically and theoretically-oriented, because deepen empirical analysis of business processes and theoretical abstractions based on the empirical experiences are also necessary to answer them.

II. THEORETICAL FRAMEWORK OF THE DISSERTATION

The research focus of the dissertation is buyer-supplier relationships. Relating to this, at the theoretical grounding of the dissertation, I highly focused on the introduction of the appearance forms of buyer-supplier relationships, and – in general – all kinds of interorganizational relationships and their development. Within this, I highlighted the relationship approach of the Industrial Marketing and Purchasing Group (hereinafter IMP Group), so mainly their concepts were applied in the dissertation. Figure 1. systematizes the introduced relationship considerations, which are mainly based on the IMP Group’s approach.

**Figure 1.** The systematization of interorganizational relationships
During my research, I applied the framework of the Interaction Approach of IMP Group (hereinafter IA) to analyse the internal and external context of relationships. The research findings about relationship success were interpreted in the context of the analysed relationship atmosphere and environment. Figure 2. introduces the applied theoretical framework of the research.

**Figure 2.** Applied theoretical framework of the research

The environmental context of buyer-supplier relationships is illustrated by the dashed lines, because there is no exact border line, where the relationship and its environment do not interact with each other. Based on Håkansson’s (1982) approach, I consider all the variables as the environment of the relationship that affects the development and interaction between relationship members, while these variables cannot be directly influenced by the members. Thus, environment summarizes those capabilities that affect buyer-supplier relationships, however the relationship members can not control them in the short or medium run. In my point of view, such kinds of environmental variables can be grouped as: industrial factors, legal provisions, and the social system.
Similar to the atmosphere element in Håkansson’s (1982) IA model, I accept those directly influencing relationship-specific variables that are jointly created by the relationship members and they can directly control or influence them during the interactions. The major difference between environmental and relationship-specific variables is the influencing possibility by the relationship members. While relationship-specific variables can be directly controlled and managed by the partners, environmental ones can be considered as externalities. So I classified power-dependence situation, applied management style in cooperation processes, trust and commitment level as relationship-specific variables. The value creating physical and informational interaction processes are embedded in the relational context; they provide the measurable and valuable output of the interaction.

The respective success goals (both business and relationship) in a buyer-supplier relationship are linked to the individual competencies of the involved parties and to the interaction process as well. Different success goals and factors are relevant at each relationship development stages. Critical incidents as data collecting tools are embedded into the relationship context, and probably they can provide proper approximation about the relationship structure at each development stages.

III. APPLIED RESEARCH METHODOLOGY

As it has already been mentioned, my research definitely has an exploratory scope. That is why; two qualitative methodologies will be applied in my research: the grounded theory and the case study methods. The parallel application of several kinds of research methods is frequently called as multi-methodology or triangulation in the literatures. This research strategy is based on the approach that the application of parallel methodologies can complete each other and the gained results give more adequate understanding of the analysed phenomenon.
In my consideration, the application of the grounded theory is proper, because it aims to create a theory, not to justify an existing hypothesis on a deductive way. Like in several other methodologies, the justification is also necessary in the grounded theory, but in this case, hypothesis is the result of the theory-building process, and not the starting point. The justification is also embedded into the theory-building process and not done afterwards (Gelencsér, 2003).

The relevance of the grounded theory in explorative researches is confirmed by several researchers. According to Jones (2009), the grounded theory is the right method if we focus on answering the “hows and whats” to understand the behaviour of people, social groups and/or firms in our research. It is because the grounded theory is flexible and interpretative enough to support the understanding of the essence of the analysed processes and the motivation of the actors. Fontana and Frey (2005) state that the openness and the applied diversified coding and conceptualizing solutions can assist the researchers in effectively understanding the researched reality.

Besides the grounded theory, the application of the case study method is an adequate choice, because it provides opportunity to thoroughly open up and understand the analysed context; and based on the processed cases, it ensures the inductive theory-building (Yin 1994; Babbie 1995). According to Eisenhardt (1989), the case study method is a typical step-by-step theory building research form. It does not aim to test prior hypotheses, but it focuses on understanding phenomena and identifying problems with observing the researched subjects, and draws conclusions from these observations. Although the adaptation of the case study method does not ends up in a pure ore and well-developed theory, it can be one of the most appropriate method to analyse wrongly structured problems and non-discovered research fields.

In my dissertation, the following data collection techniques were used during the application of the grounded theory and the case study methods:

- Structured and partially structured interviews – altogether 29 – with the CEOs, Sales and Procurement managers, and their employees, who had important positions at the respective companies. All interviews were recorded, and then typed. During the interviews I took notes,
and wrote down some key words and sentences, so the processing and coding of the interview-texts were more focused.

- I studied and analysed the available formal documents and databases at the subjected companies (contacts, business presentations and reports, etc.).

- Although it can not be understood as a classical data collection technique, but it was a useful experience for me that I was an employee between 2004 and 2008 at the supplier company. During this period, I could follow the development of the analysed relationships as a participative observer. This job-experience helped me a lot in the retrospective analysis during the interviews. The elapsed two and a half years were also useful from the point that it helped me to become objective and raised “distance” from the analysed incidents and the interviewed persons.

- At the data collection and interview-making periods of the case study and grounded theory methods, I also applied the critical incidents technique (Edvardsson and Strandvik 2000, Lynch and O’Toole 2007). Critical incidents can be the proper analytical and data collection tool in exploring the internal and external relational situation of business relationships that would be quite difficult to be analysed with the so-called traditional research methods.

IV. MAIN OBSERVATIONS AND RESULTS

The initial proposition – which is also considered as a requisite to the analysis of the research questions – was that success in buyer-supplier relationships can be understood in the form of business and relationship success goals that can be separated from each other. This statement can be accepted with the below considerations:

- Business and relationship success simultaneously appear in the operation and development of relationships, however their relevance is changing over time. At the initial development phases, the individual business success goals have dominant role. Later, at higher relationship development phases the importance of relationship success goals grows and it is not possible to reach the corporate business aims without them.
The unequivocal separation of business and relationship success can be done principally from the so-called development phase. Business success goals derive from the corporate strategy of the relationship members in most of the cases. They are measurable; and they usually appear in the form of individual, mostly financial or business performance indicators (such as revenues, market share, profit, cost level, etc.). Relationship success goals are difficult to be quantified; relationship members usually jointly set up and manage them. They focus on the joint operational processes, management tools and institutionalization of the given buyer-supplier relationship, and they can also be characterised with mutuality.

Business success goals mainly focus on growth in almost all relationships, but the actual appearance highly depends on the context, as growth-orientation can have different meanings. (Market-acquisition growth versus sustainable profit growth).

At the initial development phases, relationship success goals are subordinated to the execution of business success goals, but the importance of relationship success is continuously growing throughout the development of the relationship. Relationship success goals are built on each other at the different development phases; and the fulfilment of the lower-level goals is necessary to reach the higher-level ones. In case of business success goals, such kind of hierarchy does not necessarily appear. Business success goals can significantly change during the development of a relationship, as it is shown in the case studies, where strategy of the supplier changed.

Applying the above business and relationship success goals as supporting-ideas, the following answer can be provided on the first research question. The concept of success in buyer-supplier relationships can be defined as follows.

Success in buyer-supplier relationships can be understood as a subjective, organizational-level perception, which evolves following the fulfilment of both business and relationship success goals. It derives from the joint relationship performance of the relationship members, achievement of their prior expectations, and results in their mutual satisfaction.
Having already answered the second and third research questions, the following can be stated concerning the time-dimension and role of success in buyer-supplier relationships and in relationship development.

- **Success appears in the form of business and relationship success goals in buyer-supplier relationships.** These goals define the exact expectations of the interested parties on the performance of the relationship. The realisation of the expectations highly depends on the actual own performance of the members in the relationship. As it was already mentioned, business success goals – mostly depending on the corporate strategy – usually focus on corporate growth; while relationship success goals summarize the common aims of the parties related to the operation and sustainability of the relationship, and the increasing complexity during the relationship development can be found in their content.

- **Both business and relationship success goals change over time.** In general, the importance of relationship success goals increases at higher relationship development stages; and the content of business and relationship success goals deepen and deepen as time goes by. The change of behaviour over time is however absolutely depending on the context of the relationship. Contrary to the growth-orientation, there are several relationships with the aim to sustain the existing situation. In such kinds of relationships, the diversity of success goals is limited (they are constant in certain cases).

- **Success can be understood as a subjective, organizational-level perception of the relationship members about their actual and joint relationship performance, and thus the fulfilment of the business and relationship success goals.** This perception is typically non-repetitive, and not individual, rather than organizational. As a result, it is significantly different from the perception of Parasuraman et al. (1985).

- **Reaching the success goals results in the mutual satisfaction of relationship members, and can lead to step forward in the relationship development.** It however should be emphasized that success in itself is only a necessary, but not a sufficient condition of development, because the potential directions and possibilities
of the development are significantly determined by the prior aims of the parties and the relationship context. Additionally, development can take place in a relationship following an unsuccessful situation as well; in case parties can learn from the failure and/or there is no other available partner to realise their initial aims. Concluding the above, the relation of success and development absolutely depends on the relationship context, and there is no general deterministic relation among them.

- It should be also noticed that even the mutual satisfaction – generated by success – can not result in a linear “straightaway” development. Development can be understood as a learning curve (see Grant 1996, Teece et al. 1997, Kyläheiko 1995), in which the progress is supported by satisfaction – generated by success –, but there is no causality between the two variables.

Based on the above, the role of success in buyer-supplier relationships and relationship development can be interpreted with the following dynamics. Relationship members set up business and relationship success goals, and the materialisation of them depends on both their own and joint performance in the relationship. In case success goals are met, and the parties understand it positively; it can lead to their satisfaction, which can be the basis for further development. But in case, their perception on the performance of the relationship is negative, success can not be identified, and it can be a breakpoint in the relationship development. This breakpoint however not necessarily results in a break in the development or the end of the relationship as a whole, because the relation of success and development depends on the actual relationship context.

In general, the basic goal-structure is the same at each development phases: success (or the lack of success) can be identified following the perception on the fulfilment of the individual-level business goals and the joint relationship goals. The dynamics of success in buyer-supplier relationship is illustrated by Figure 3.
Despite of the high context-dependency of the introduced conceptual model, I think there are several valuable management-messages in the research findings, which can provide useful conclusions for managers and business researchers as well. These messages are as follows.

1. **In buyer-supplier relationships, success can be grounded with the exchanged products/services, the good performance of customer service operations and reliable business behaviour.** In case there are problems with any of the above factors, success and development of the relationship is in danger, according to the research results. These three factors are the ‘solid bases’ of further development to set up higher level of business and relationship success goals.
2. Research results confirm the finding of management literature that **high-level of internal and external context-dependency is characteristic for the operation of business relationships**. As a result of that, the set up of relationship success goals, exact relationship performance of the companies, and the relationship between success and development are all changing depending on the actual environmental context and they should be evaluated accordingly.

3. **Depending on the actual context, success can be one of the engines for relationship development.** It can be interpreted through the following cycle: goal setting – effective performance – perception – success – satisfaction – potential step forward in relationship development. Business success goals are the decisive factors in the initial phases, however relationship success factors will have growing importance throughout the development of relationships and are crucial in reaching the stable phase. It is important to harmonise the business goals of the involved parties and to transform them into relationship goals in order to reach and sustain the strategic level, stable relationship phase. This development is however not linear even in case of successful relationships. It is rather a helical development and can be understood as a learning process.

4. **Business and relationship success goals can be limited in terms of both time and content.** It is obvious that not all buyer-supplier relationships aim to reach the strategic level relationship; in most of the cases, relationship development sticks at lower levels. In the latter cases, both business and relationship success goals are aligned to this structure and do not set up higher level of cooperation.

5. **In order to reach a matured, strategic level of relationship, all interested parties need to have** – besides the common and coordinated goals – **the capabilities for joint development and deep cooperation**. These capabilities are not always natural endowments of the business partners. As a result of that, relationship can be considered as success at the different development stages in case parties are able to establish the basis of a higher level cooperation through utilising their complementary capabilities. Adaptation, institutionalisation of cooperation processes and evolution of routines have key roles in reaching success at the relationship development stages.
6. It is however not enough to only possess the above mentioned capabilities in order to attain success supporting permanent and dynamic relationship development. **All involved parties need to take serious efforts, joint investments, capability development and adaptation so that success can be sustainable.** It is important to highlight the role of relationship specific investments and capability development that can strengthen the institutionalisation of the relationship and the routines.
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