

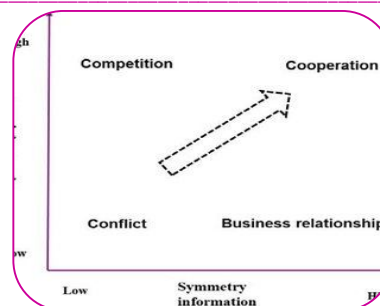


ANTECEDENTS FOR B2B BUYER-SELLER RELATIONSHIP – A REVIEW OF LITERATURE

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ABSTRACT :

Purpose : Organizations Today assume augmented significance towards improvement in their operational efficacy, and because of this, externalization of business processes by Organizations has been heading north. With the increase in dependency, the relationship among Organizations within the supply chain and not just at the superficial level has hence assumed crucial importance. The paper attempts to identify the various antecedents that lead to the development of an Industrial Buyer Seller Relationships through systematic literature review.

Limitations: The study is limited to antecedents in B2B buyer seller relationship but does not grades them on the basis of their relevance as per the various stage in the buyer seller relationship.

KEYWORDS : Buyer-Supplier Relationships, Buyer Seller Relationship Factors, Antecedents of Buyer Seller Relationships, B2B Relationship.

INTRODUCTION:

The business environment in the current times is highly complex and dynamic. It means that the relationship between the seller and buyer has also shaped over a period of time to suit the changing needs of the market. Consequently, it has resulted in the development of dynamic buyer-seller relationship where several factors contribute towards shaping the characteristics of this relationship. Successful buyer-seller relationship creates a synergy which results in the development of solutions that are not possible to be achieved by either or any of these parties individually. Based on the above premise, this paper focuses on understanding the antecedents that lead towards developing buyer-supplier relationship.

The review of literature focuses on antecedents of buyer-supplier relationship in the business to business (B2B) context with a specific focus on industrial buyers and sellers who have a high level of dependency on each other due to their presence in niche segments with limited buyers and suppliers. These antecedents are discussed in detail in the further parts of the paper.

METHODOLOGY

The search for Research Literature was done through various peer reviewed Journals listed with Emerald Insights, Elsevier: Science direct - Management and Jstor. Following keywords "Antecedents", "Variables", "Factors""Buyer-Seller Relationship" were used for the search query. The search was filtered for only Academic Journals and Books. Secondly, papers which were directly related to the topic and those indirectly related to the context were filtered based on Abstract screening. The search was further limited to the scope of Business Management and B2B Buyer Seller Relationship in the final screening.

INTER-ORGANISATIONAL BUYER SELLER RELATIONSHIPS

Quality, Commercial attractiveness and on-time committed delivery are some of the prerequisites for B2B relationship to grow. But the fact remains that they alone will never ensure that the interaction evolves to a mutually beneficial long-term relationship. Variables that would lead to long term performance, sustainability, innovation and others need to be identified. (Hamel & Prahalad 1994) Many a times intangibles like trust, play a crucial role in the success of the relationship. (Saunders 1997, p265). Relationships evolve over a long timeframe and involves multiple positive experiences and a sense of co-operation from all the partners involved in the interactions (Dwyer et al. 1987)

Interorganisational relationships perform an important role of assisting various entities in their effort of converting the resources into optimal value.(Håkansson & Johanson, 1992). The buyer seller relationships have been forked as either being competitive or co-operative. Wherein the organisations that develop co-operative relationships, work towards securing the benefits of the operational synergy, while the organisations that share a competitive relationship, try hold back information and perhaps detest assimilations.(Choi & Hong, 2002)

TRUST AMONG INDUSTRIAL PARTNERS

The sellers and buyers in the industrial context act more like partners due to a high level of dependency among them. Due to a limited number of buyers and suppliers in this segment, there is a need for a strong relationship between them (Heide & John, 1990). Consequently, instead of merely acting as buyers and sellers of products, they act as partners with what has been termed as “Closeness” by Nielson (1998). Hence, achieving this closeness or acting as partners inherently entails trust between these two entities, in the absence of which they would lose their individual efficiencies (Doney & Cannon, 1997). As postulated by Han, Wilson and Dant (1993), developments of processes such as Just in Time (JIT) naturally require a high level of buyer-seller trust, failing which the entire supply chain could be disrupted which may involve several other stakeholders apart from the primary industrial buyer and seller.

Furthermore, Laaksonen, Pajunen and Kulmala (2008) have categorised trust into three categories which are competence, contractual, and goodwill. The authors explain that the competence-based trust arises when the involved parties have a good reputation such as the supplier supplying good quality products within deadline on most occasions and the buyer having the reputation of making timely payments. There may not be much involvement of formal mechanism such as written contracts in case of competence-based trust. The contractual trust exists when there is a contract between the buyer and seller. In this case, trust arises from the knowledge that there are legal procedures available which can be initiated in case of a breach of trust, thereby encouraging both parties to maintain trust. The third form of trust which is based on goodwill involve factors such as profit and risk sharing and not indulging in practices which can be detrimental to the other party.

From the above analysis, it is evident that irrespective of the form of trust, it is the most critical dimension or antecedent and foundation when it comes to forming and sustaining a partnership between an industrial buyer and supplier.

COMMITMENT AMONG INDUSTRIAL PARTNERS

The second crucial attribute of the buyer-supplier relationship is commitment. As explained by Moorman, Deshpande and Zaltman (1993), commitment refers to the desire of involved parties to sustain their relationship in the long-term. It involves making sure that the counterparty continues to remain engaged through positive and affirmative actions by the first party. Havila, Johanson and Thilenius (2004) have postulated that commitment involves investing in building a strong relationship and its continuation. By doing so, buyers and sellers work towards establishing a reliable partnership which would further help them form synergies by leveraging this relationship. The importance of commitment is much higher in the industrial context mainly because of the fact that there are relatively fewer suppliers and buyers than other

business to customers or even business to business relationships where both buyers and sellers have multiple options to choose from. Due to a limited number of market players in the industrial context, the need for a high level of commitment is much higher and critical for the survival and growth of buyers and sellers.

Kwon and Suh (2004) have linked commitment to trust. The authors opine that to build trust and to sustain it, the commitment of the buyer and seller towards each other is essential. Ulaga and Eggert (2006) have explained that commitment results in enhancing the quality and value of the relationship which results in stronger bond resulting in fewer instances of either buyer or seller switching over to the other counterparty. Krause, Handfield and Tyler (2007) have emphasised the importance of commitment by linking it to the development of social capital and improvement in the performance of buyers and sellers. Hence, from this discussion, it is evident that commitment complements trust and they together contribute to forming a strong and long-term relationship, thereby creating synergy.

The manifestation of Collaboration in the buyer-supplier relationship

Further to the antecedents of trust and commitment, collaboration is another crucial dimension which plays a key role in building a strong and lasting buyer-supplier relationship. Sheu, Yen and Chae (2006) have explained the importance of collaboration between a buyer and seller by stating that although at its most basic level collaboration means working together for attaining a common goal, at a more advanced level it includes capitalising on the competencies of one another such as the information technology capabilities or other crucial factors so that both the parties benefit from it. Paulraj, Lado and Chen (2008) have enumerated several dimensions of collaboration. A key form of collaboration as identified in this study is knowledge sharing which allows collaborators, which in this case are industrial buyers and suppliers to become more efficient and benefit from the knowledge of their partner. The authors also emphasise on the facts that collaboration helps reduce transaction costs while also increasing the transaction value.

Several other facets of collaboration are explained by Bititci et al. (2004). One of these aspects is the efficient and optimum utilisation of assets. It is possible that either of the buyer or supplier have excess capacity and assets while the other party has a requirement for it. Through collaboration, they can share their excess capacity and manage their assets more appropriately and optimally. Further benefits of collaboration as identified by this research are an improvement in the performance, risk mitigation and management, and increasing the market share through leveraging knowledge, skills, assets, and competencies of both the collaborating parties. Resultantly, it can be emphasised that collaboration is a crucial antecedent which can contribute immensely towards not only improving and deepening the buyer-supplier relationship but also facilitating them both to grow collectively and individually.

RELATIONAL BEHAVIOUR

An important antecedent in the buyer-seller relationship is the nature of the behaviour of these parties in establishing and maintaining the relationship. As postulated by Leuthesser and Kohli (1995), the relational behaviour of the buyer and seller consist of three key factors. The first factor represents the type of information shared between the buyer and the seller, which further entails the behavioural manifestations that are classified as the initiation of the information, signalling the need for information, and disclosing the information. At all these levels, there are certain behavioural attributes and the level of the relationship depends on the positive information sharing based on these behaviours. The second dimension as presented by authors is based on the frequency of the buyer-seller interaction as well as the quality of the medium used for interacting. A high frequency and quality of medium represent a stronger relationship. The third factor consists of vertical and lateral involvements of the various hierarchies and individual elements of the two enterprises. Here also if the involvement is high, the relationship is stronger.

Influence of Power on Buyer-Supplier Relationship

A crucial aspect of any relationship, including between a buyer and supplier is power, which is the level of influence that one entity has over another (Dahl, 1957). The party with the higher level of power inherently has a greater influence over another entity. The importance of power in a buyer-supplier relationship is explained by Caniels and Gelderman (2007) who have stated in this relationship, power to a great extent is determined by the level of interdependence. Therefore, the entity which has a higher dependency on the other entity has lower power whereas the one with a lower dependency can exert a greater influence. Olsen et al. (2014) have explained that when it comes to the power equation between the buyer and the seller, the one with lower power finds it difficult to escape the relationship and needs to comply with the requirements of its more powerful counterparty. However, to make this relationship more successful and efficient for all stakeholders, it is crucial that the entity with superior power uses it to empower the other partner. By doing so, more value could be created for both.

Integration of Relational Factors as Social Capital

All the above-discussed factors are main antecedents of the buyer-supplier relationship at an individual level as well as collectively. When it comes to their aggregation, it can be asserted that they together contribute towards the generation of social capital which helps both, the buyer and seller to become more competent than their current level of competencies. The social capital theory states that organisations can leverage their social networks to generate social and cultural capital which helps them further to develop new knowledge and innovate (Häuberer, 2011). Through their networks, enterprises can acquire knowledge and resources that were hitherto unavailable to them. By doing so, organisations can acquire new ideas and perspectives which could be vastly different from their existing perspectives, which further allows them to incorporate new information and learning (Lin, 2017). The importance of social capital and network is asserted by Inkpen and Tsang (2005) who have postulated that generation of social capital through the association between the buyer and seller is helpful in transferring of knowledge from the organisation that has the unique and superior knowledge to the one that needs it but does not have it. Within the industrial context, Lawson, Tyler and Cousins (2008) have explained how social capital acts as the means for improving the firm performance. The authors state that social capital is instrumental in sharing and developing effective communication, engineering designs, new processes, and business models. These results can be achieved when the buyer-seller relationship is stronger and involves a high level of trust, commitment, and collaboration, as well as the willingness to empower the other partner. Therefore, these individual antecedents of the buyer-supplier relationship accumulate and aggregate into a process for the generation of social capital.

CONCLUSION

The discussion in this paper has led to the conclusion that successful buyer-supplier relationship in the industrial context involves a high level of dependency and necessitates them to become partners in the long-term. The literature review involved analysis of the key antecedents to this relationship and based on the evaluation it can be stated that individually as well as together these antecedents are critical for the success of this relationship. Industrial buyers and suppliers operate within a limited scope where there are few market participants. Hence, the need for specialisation is high. In such a situation, an efficient relationship based on successful execution of these factors is vital from the perspective of offering the buyers and suppliers a high degree of competitive advantage.

Table 1

(Ganesan, 1994)	(Wilson, 1995)	(Thomas & William, 2007)
Factors Affecting Buyer Seller Relationship	Buyer Seller Relationship Variable	Factors influencing successful Buyer Seller Relationship
Long Term Orientation	Commitment	Reputation
Dependency	Trust	Performance Satisfaction
Perception of Partners Dependency	Cooperation	Trust
Trust	Mutual Goals	Social Bonds
Environmental Diversity	Interdependence/Power Imbalance	Comparison level of alternatives
Environmental Volatility	Performance Satisfaction	Mutual Goals
(TSI) Transaction Specific Investment	Comparison Level of the Alternative	Power / Interdependence
Perception of Partners TSI	Adaptation	Shared Technology
Reputation of Partner	Non-Retrievable Investments	
Satisfaction from past Outcomes	Shared Technology	Adaption
Partners Experience	Summative Constructs	Structural Bonds
	Structural Bonds	Cooperation
	Social Bonds	Commitment

(Tachizawa & Wong, 2014)	(J.D. Power Asia Pacific, The McGraw-Hill Companies, Inc, 2011)	(Mohanty & Gahan, 2012)
Contingency Variables in SSCM	Supplier - OEM Relationship Enablers	Basis of Buyer Seller Relationship
Power	Engagement	Trust
Stakeholders Pressure	Consolidation	Commitment
Industry (Static / Dynamic)	Flexibility / Adaptability	Technology
Material Criticality	Alignment	Legal Factors
Dependency	Trust	Partnership Approach
Distance (Social, Physical or Cultural)	Organization / Manpower	Conflict Management
Knowledge Resources	Global Footprint / Alliance	Attitude
End-Customer know-how	Innovation / Technology	Loyalty
	Resource	

(Srivastava & Singh, 2013)	(Lee & Johnsen, 2012)	(Walz, The definition, creation, and evolution of buyer seller relationships, 2009)
Manufacturer Relationship Variables	Supplier Closeness	Basis of Buyer Seller Relationship
Relationship Closeness	Mutuality	Buyer Seller Relationship Construct
Trust	Particularity	Satisfaction
Commitment	Cooperation	Trust
Mutual Objectives	Conflicts	Loyalty
Cost Sharing	Intensity	Commitment
Information Sharing	Interpersonal Inconsistency	Relational Norms
Risk & Reward Sharing	Power Dependence	Communication & Information sharing
	Trust	Power and Dependence
		Idiosyncratic Investments
		Selling Partner Characteristics
		Coproduction and Involvement
		Emotion & Identity
		Customer Benefits
		Relationship Cost
		Performance
		Relational Behavior

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