

# **Buyer-Seller Relationships – The Role of Expectations and Appraisal Processes in Interorganizational Problem Solving**

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# Buyer-Seller Relations: *The Mixed History*

- See Helper (1991)
  - ✓ Evolution of power and tension
- Lopez vs. Price (early 1990s)
- 2004: Suppliers willing to sue their customers

# Pressures on the OEM

- Reducing cost and adding features
- Outsourcing development and engineering
- Global production

# Pressures on the supplier

- Increasing engineering capabilities
- Global capabilities
- Cost reduction
- Cycle time reduction
- IT
- Effective and efficient linkages



# The Bilateral Challenge

- Balancing technical AND relational elements of the supply chain
- Supply chain relationships are complex dyadic relationships
  - ✓ Anderson and Narus (1990): firms typically have only a “coarse understanding” of the value they provide to partners

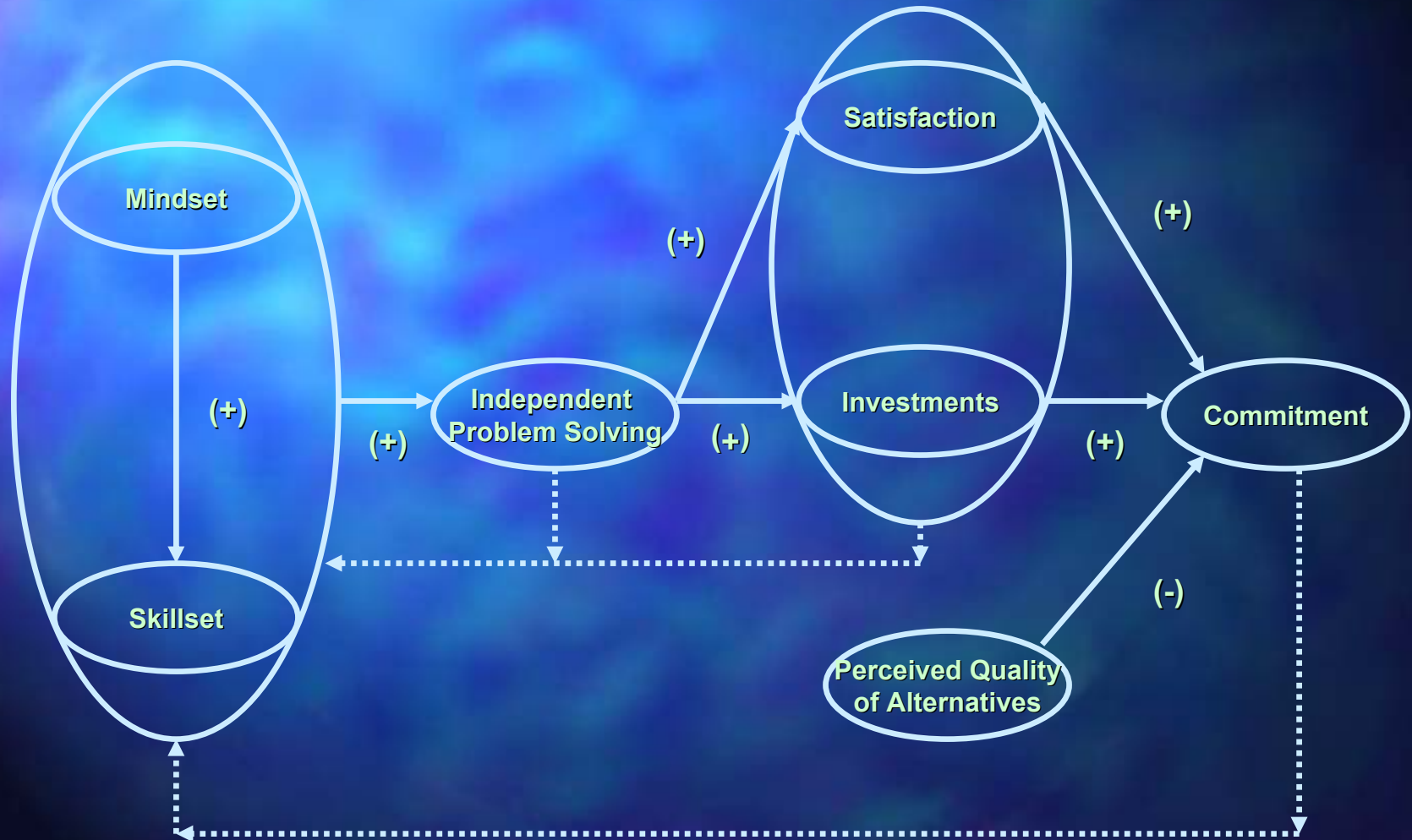
# Relational Variables in Earlier Literature

- Expectations
- Trust
- Commitment
- Coordination
- Information sharing
- Joint problem solving
- Communication

# The Empirical Gap

- Explaining communication and problem solving
- Interorganizational relations are driven by interpersonal relations
  - ✓ Exploit the marriage metaphor (e.g., Morgan and Hunt 1994)

# Original Partnering Framework





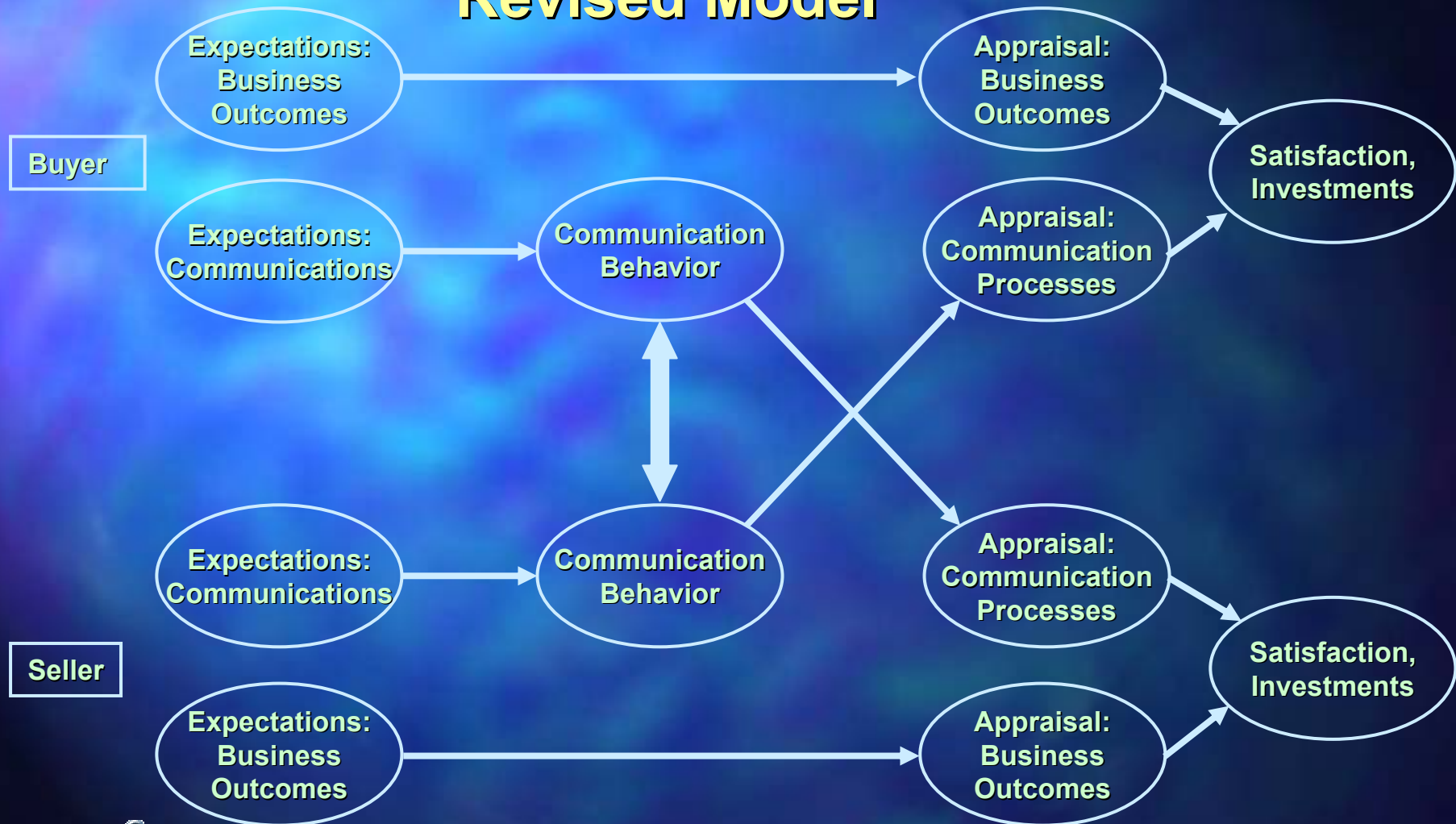
# Refining the Model

- Literature addressing expectations
  - ✓ Process
  - ✓ Outcomes

# Qualitative Research

- 4 buyer-seller dyads studied over a 12-18 month period
  - ✓ Multiple participants in each organization
    - 26 people
  - ✓ Semi-structured interviews
    - Site visits and telephone
    - Transcribed interviews analyzed with NUDIST

# Revised Model



# Outcomes Expectations (*Buyer*)

- They had requested pricing to be as competitive as possible and we did offer a slight price concession.
- They then were emphatic about quality, of course, and so there are some strategic things we have to do to preserve the relationship and the partnership.
- They are basically asking everything we can do to maintain costs so that they can maintain their costs and retain their market share.



# Outcomes Expectations (Seller)

- One thing that every supplier needs to keep in mind is that industry is moving toward three, or at least two, different directions.
- One is reduction in lead time.
- They need to be very fast and flexible and be able to address variations in demand.
- The other one, of course, is continuous cost efficiency.

# Communication Expectations

- A preferred customer partners with you more, works the issues with you, together.
- A less preferred customer just wants rock bottom price and doesn't really care about your problems.
- They don't want to really take the time or the understanding to work things out.
- You know, I think those customers tend to beat you up on price as much as possible and, once they are finished with that, they are not afraid to switch.

# Communications Appraisal (*Buyer*)

- Where we don't have good partnerships, they are companies that don't do well in defining exactly what it is they want; companies that are not willing to share their applications with us so that we can help them design parts.



# Communications Appraisal (Seller)

- I think we have been fortunate to have been working with (Customer Supplier Manager); he has taken a much more objective look, saying *'Hey, it may not be your fault—let us look at ourselves too.'*
- That took a lot of guts and leadership when it is easy to blame the vendor (supplier engineer's appraisal of communication with a specific customer's supplier manager).



# Contributions

- Integration of interpersonal relations and interorganizational literature
- Short-term communications affect long term relationship development
- Expectations about outcomes AND processes are potential explanations of effective relationships
  - ✓ Investment in processes can be critical in sustaining effective relationships

# Future Research Implications

- Larger sample, quantitative studies
- Extensions to other industries where power dynamics differ
- How can upstream supply be leveraged?
- What new issues are salient as supply chains incorporate more global players?