

A Conceptual Model for Understanding the Outcomes of Buyer-supplier Relationships in Supply Chains

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Abstract

Inter firm relationships are receiving considerable attention in marketing literature. Many firms are focusing only on the activities that have been performed traditionally while making use of the relationships that have been developed with other firms to make an offer valued by the customer. In this context buyer-supplier relationships are also becoming increasingly important. The supply chain is a mechanism through which these relationships are materialized.

This paper aims to introduce a conceptual model that facilitates empirical testing of the outcomes of buyer-supplier relationships in supply chains. This exercise is based on a literature review.

Keywords: buyer-supplier relationship, governance, supply chain

1. Introduction

Nowadays individual organizations are mostly seen as members of supply chains since they develop relationships with suppliers, distributors and retailers in delivering a good or service to the ultimate consumers (Jain & Srivastava, 2006). Managing the supply chain at the level of an individual firm can therefore be described as managing relationships within the organization, with suppliers at various levels, customers and all other members of the supply chain (Harland, 1996). The purpose of developing such relationships is identified in literature as an outcome of the need to take advantage of the opportunities that they cannot materialize alone as individual organizations (Matopaulos, Vlachopoulou, Manthou, & Manos, 2007). Therefore each member of the chain has its own objectives of being a member of a supply chain.

Buyer and supplier are two separate entities that constitute a supply chain. In managing their sourcing relationships along the supply chain buyers get involved in selecting suppliers, sourcing from the selected suppliers and developing the selected suppliers (Cox, Watson, Lonsdale & Sanderson, 2004). Through these operations buyer firm may aim at achieving its own goals and objectives.

Both the supplier and the buyer are members of a single chain and therefore the performance of the entire chain is in the interest of both parties. It is accepted that in the event of an economic exchange both parties to an exchange can gain through collective operation (Granovetter, 1992). However there is no situation which can be called an 'ideal' for both parties (Cox et al., 2004). Even literature does not provide a framework that facilitates understanding and analyzing the outcomes resulting from the relationship of a given buyer with his/her supplier. This creates a gap in the literature to identify a mechanism through which the individual members understand the outcomes of a resulting relationship. This will facilitate the buyer firms to identify the conditions that will optimize their outcomes with suppliers.

This paper aims to address this gap of lack of a conceptual framework for understanding the outcomes resulting from a given buyer's relationship with his supplier. Similarly researchers who study such relationships can use this conceptual framework for conducting empirical studies. Therefore the contribution of this study to the existing body of knowledge is to introduce a conceptual model that enables researchers and practitioners to understand and analyze the outcomes resulting from a given buyer's relationship with his supplier.

The paper is structured as follows: first, the process of carrying out the literature review is explained. Then the results of the review are presented. It is followed by a discussion which introduces the conceptual framework that is developed. Next a methodology to empirically test the model is provided. Finally, conclusions are outlined.

2. Literature Review

2.1 The Process of Conducting the Literature Review

This study adopts a systematic literature review (Tranfield, Denyer & Smart, 2003) to review prior conceptual and empirical research publications on buyer-supplier relationships. In the words of Tranfield et al., (2003) undertaking a literature review provides the best possible manifestation for enlightening policy and practice in any discipline. This explanation of Tranfield et al., (2003) is justified by Irani (2014) and Delbufalo (2012). Irani's (2014) argument is that a systematic review of literature may result in aiding evidence based decision making in the future research endeavours. Delbufalo (2012) argues that a systematic literature review,

Supports in producing a sense of mutual effort, significance and directness between the research studies to inhibit unproductive recurrence of effort.

Supports in connecting potential research to the queries and issues that have been modeled by previous research studies and

Develops the approaches used to assemble and synthesise preceding pragmatic evidence.

Based on the study of Tranfield et al., (2003) and the justification provided by Irani (2014) and Delbufalo (2012) this study follows a systematic literature review consisting of three phases. They are;

Phase I – Planning the review process

Phase II- Conducting the review process and

Phase III- Reporting and Dissemination of the overall research results

2.1.1 Phase I – Planning the Review Process

The first phase of the review process is to plan the process. At this phase objectives are developed. In this study the objectives are to:

Determine the dimensions along which the extent of a buyer's relationship with a supplier can be understood.

Identify the theoretical explanations that underlie the benefits of buyer-supplier relationships.

Explore the empirical evidence available on the outcomes of buyer-supplier relationships in supply chains and

Understand what conditions are suggested in literature as those conducive for positive outcomes in buyer-supplier relationships.

Once the objectives are defined a research protocol for the review is developed. The research protocol involves identifying the domain and suitability conditions for the review. As this literature review focuses on exploring the outcomes of buyer-supplier relationships and understanding the conditions suggested in literature as those conducive for positive outcomes in buyer-supplier relationships, it is necessary to consider both conceptual and empirical domains for this research study. The suitability conditions determined in this study are;

Condition 1: The review was conducted by searching the Jstor, Emerald, and Wiley online databases

Condition 2: Only published peer reviewed journal articles were considered by selecting "Article" option from the Document Type option. Other document types such as trade publications, books, conference proceedings etc. were omitted.

Condition 3: Only those articles that were published between year 1990 and 2014 were selected.

Condition 4: Articles selected were published in English

Condition 5: Article's acceptability was confirmed by selecting the articles that contained "buyer- supplier relationships in supply chains" as key phrase throughout the paper.

Condition 6: Final substantive applicability was confirmed by reading the remaining article with regard to their alignment with the objectives of the literature review.

2.1.2 Phase II- Conducting the Review Process

The second phase of the systematic literature review suggested by Tranfield et al., (2003) is the conduct of the review process. In this study the review process was conducted incorporating the suggestions of both Tranfield et al., (2003) and Delbufalo (2012). This process involved searching the Jstor, Emerald, and Wiley online databases for suitable articles and the same was carried out in three stages.

Stage I: Key words were entered into the database. The key words were, 'buyer-supplier relationships' and 'supply chain'. This process resulted in 19557 publications in Jstor, 13133 publications in Emerald and 1186 publications in Wiley online.

Stage II: A title and abstract analysis was thereafter conducted on the extracted articles and 21 articles were selected for further consideration (see Appendix A).

Stage III: The selected articles were further scanned to search for conceptual and empirical studies through the criteria highlighted under the protocol.

2.1.3 Phase III- Reporting and Dissemination of the Overall Research Results

The objectives of the literature review were developed keeping in mind the objectives of the main study. Accordingly there were four main objectives identified in the planning stage of the literature review. They are to determine the dimensions along which a buyer – supplier relationship can be developed, identify the theoretical explanations that underlie buyer-supplier relationships, explore the empirical evidence available on the outcomes of buyer-supplier relationships in supply chains and to understand the conditions suggested in literature, as those conducive for better outcomes in buyer-supplier relationships.

These objectives were expected to support the primary objective of this study, to develop a conceptual model that facilitates understanding and analyzing the outcomes resulting from the relationship of a given buyer with his/her supplier in supply chains, from the perspective of buyers. The literature review was expected to support operationalization of the constructs. The construct that is suggested as the Independent Variable is the ‘Relationship with the supplier’. The dependent variable suggested is ‘Relationship Outcomes’. Since the literature suggests that resulting outcome of the relationship may vary from one exchange to another and the buyer needs to analyze under what conditions better results are possible, several moderating variables are introduced.

The results of phase III of the literature review are presented here as results, under four broad headings in line with the objectives of the literature review.

2.1.3.1 The Dimensions of a Buyer-supplier Relationship

The first objective of the literature review was to determine the dimensions of a buyer-supplier relationship. Ambrose, Marshall and Lynch (2010) have conducted a study on the perceptions of both buyers and suppliers regarding the characteristics of a relationship between the two parties. They have identified the characteristics on which the buyer –supplier perceptions were tested. These were based on the explanations of the transaction cost theory and the social exchange theory. The dimensions so identified are commitment, adaptation, communication, non-mediated power, resource dependence, trust and uncertainty. Buyer-supplier relationships have been discussed by several authors along one or two dimensions of the above list. However the list identified by Ambrose et al., (2010) is based on a theoretical justification. Therefore the classification of dimensions presented by Ambrose et al., (2010) is used in the present study for understanding the extent of the buyer’s relationship with a supplier.

2.1.3.2 The Theoretical Explanations that Underlie the Benefits of Buyer-Supplier Relationships

The second objective of the literature review was to identify the theoretical explanations that underlie buyer-supplier relationships. Literature review revealed that the following theoretical explanations provide a sound basis for understanding the benefits of buyer-supplier relationships.

Resource-Dependence Theory

The Resource-dependence theory acknowledges the importance of team effort in achieving effectiveness in organizations (Pfeffer & Salancik, 1978). The explanation of this theory could be discussed in relation to buyer-supplier relationships as well. Accordingly the outcomes of the relationship to either the buyer or the supplier will be a result of the joint behavior of the two parties. The implication of the theory is that organizations are not self-sufficient in that “they require resources from the environment and, thus, become interdependent with those elements of the environment with which they transact” (Stock, 2006). Therefore in a buyer-supplier relationship the implication is that buyer benefits from the relationship with the supplier as far as the critical resource availability is concerned.

The Relational View of Firms

The relational view of the firm holds that the resources that can bring more results through a synergistic effect increase the potential for relational rents. Mena, Humphries, and Choi (2013) explain that the buyer’s efforts to maintain relationships with suppliers is an indication that the buyer is attempting to benefit from resources that are synergy sensitive. This indicates that buyers can benefit from the synergistic effect of their relationships with suppliers.

Network Theory

Firms organized in the form of a network, in order to serve their customers better is called a supply chain. The members to a supply chain are consisted mainly of the suppliers, manufacturers, distributors and customers. In terms of a network these parties are members (actants) of a network and the points at which they are linked are the nodes. The social

network theory admits that these parties can benefit each other by being members of a network. Therefore theoretically buyers are benefited from their relationships with suppliers in a supply chain.

Transaction Cost Theory

Transaction Cost Theory explains that by integrating with the supplier the buyer can reduce the transaction cost associated with the 'buying' decision. It suggests that integrated long term relationships reduce transaction costs by enabling the use of inter-organizational processes beneficial to both parties. At the same time when strong relationships are maintained with a few suppliers the reduced search costs bring down the transaction cost (Zhao, Huo, Flynn, & Yeung, 2008).

The Resource Based View

Dyer and Singh (1998) explain that resources which are critical for a firm may not be available within the firm itself. Rather they may be found through relationships that are formed beyond the boundaries of the firm. Through relationships with other organizations a firm can exchange resources, capabilities and knowledge that would not be achieved in isolation (Espallardo, Orejuela, & Pérez, 2010). This explanation of Dyer and Singh (1998) too justifies the fact that buyer-supplier relationships can bring benefits to both parties.

2.1.3.3 Empirical Evidence for the Outcomes in Support of Buyer-supplier Relationships in Supply Chains

Exploring the empirical evidence available on the outcomes of buyer-supplier relationships in supply chains was the third objective of the literature review. An interesting overall finding is that the outcomes of these relationships have been mainly identified in relation to the relational capital developed within the relationship. It could be identified from literature that as a result of trust, firms are able to gain mutual benefits in inter-firm exchanges. These outcomes could be categorized under five headings. They are information sharing, implementation of sustainability initiatives, sharing supplier capabilities, accumulation of social capital and joint decision making.

Information Sharing

In a buyer-supplier relationship an inter-organizational exchange takes place. When such an exchange repeatedly occurs the social relationships too improve (Mohr & Spekman, 1994). The result of repeated exchanges and the improved social relationships is the building up of trust. When there is mutual trust between the buyer and the supplier they will exchange sensitive information that will not be exchanged otherwise. Improved trust leads to enhanced communication between the two parties. Communication enables sharing of information between them. Information so shared may create knowledge. Grant (1996) explains that the capacity to create knowledge through learning is a key productive resource for the buyer in terms of contribution to value addition, strategic significance, and competitive advantage. Therefore one of the positive outcomes of relationships formed with the supplier, towards performance of the buyer could be identified with regard to the information shared between two parties which contribute towards knowledge enhancement. Cheng, Yeh and Tu, (2008) too explain that organizations within a supply chain share knowledge as a mechanism of enhanced competitive advantage. Dyer and Singh (1998) explain that value creation requires knowledge which may not be available within a single organization. Learning from other organizations in the supply chain can enable an organization to gain such knowledge (Espallardo et al., 2010). When the investments in specific assets is high the amount of joint efforts is also high (Claro, Claro & Hagelar, 2006). When investments in specific assets is high, then the firm is able gain important insider information. Klein and Rai (2009) discuss about the operational and strategic information exchanged by the partners to a transaction and the manner in which such information help each other. Accordingly operational information includes the information relating to the use of resources in the production process and will help efficient use of resources. Strategic information on the other hand provides an opportunity to coordinate the relationships in such a manner that will bring about operational improvements.

In addition to the information that helps in terms of value addition, product improvement etc. the matters learnt through supply chain relationships improve the social relationships among the parties. This also can have a positive impact on buyer performance since understanding each other encourages to share common practices (Dyer & Singh, 1998). When information is shared at a higher level, the organizations that are members of the network develop a similar understanding with that of the buyer. This acts as a shield since other members are less likely to deviate from the buyer's line of thoughts in decision making. If buyer and supplier share values and goals, the buyer's flexibility performance will also increase (Krause, Handfield & Tyler, 2007). This happens as a result of the positive relationship between trust and joint effort that takes place as a result of the information shared from the network.

Grover and Saeed (2007) too explain that information among parties to a network can be easily shared through integrated operating systems. Integration of operating systems is implemented in sourcing items that are complex since it requires sharing significant information with the supplier. Such information is important at the stage of order specification and order management. Prior (2012) discusses how information shared with a partner could improve the

usage of assets. His argument is that the partner's knowledge of asset usage may not be available to the organization concerned. But by developing a relationship with a knowledgeable partner such knowledge could be shared easily. This explanation justifies the claims of the Resource Based View highlighting the importance of relationships as a resource (Lawson, Beverly, Paul & Cousins, 2008). All these authors provide empirical evidence that the buyer and supplier can benefit from information sharing through the relationships with each other. Therefore buyers must invest in actions that increase communication to exchange important information that may affect each other, because the sharing of information is positively related to cost performance, quality performance, flexibility performance and innovativeness performance. At the same time they have found that unless proper governance mechanisms are present there is a risk involved in sharing information since collaborators can become competitors (Espallardo et al., 2010). Mohr and Sengupta (2002) describe that although a firm should engage in continuous sharing of information with partners they need to be careful as to what information is shared and what is not, since they can be a threat to the firm itself.

Enabling implementation of sustainability initiatives

Mena et al., (2013) explain the benefits of buyer-supplier relationships in relation to sustainable performance of the buyer. They identify sustainability as meeting the social and environmental requirements of an organization while meeting the expected economic standards (Elkington, 1998). Production has a significant impact on the environmental performance of an organization. The raw materials which are sourced from suppliers play a key role in the production process. Firms that develop relationships with their suppliers in order to ensure green purchasing can end up with favourable sustainable performance. However the buying firm needs to work in close collaboration with their suppliers. Assessment may be the first step to identify what actions are needed; however, firms need to engage in collaborative practices with their suppliers to improve sustainability (Gimenez & Tachizawa, 2012).

Sharing Supplier Capabilities

Buyer-supplier relationships are important for the improvement of supply chain performance (Carr, Kynak, Hartly & Ross, 2008). Since the suppliers' capabilities and performance can enhance supply chain performance buyers focus on developing the suppliers with whom they interact. Primo and Amindson (2002) found that capabilities of supplier contribute to joint efforts of buyer and supplier towards product development. They have even identified that when the suppliers' quality systems are strong they engage more in product development. Klein and Rai (2009) say that key resources can be made available through long term partnerships with members along the chain. The capabilities of both parties can improve production planning, control of resources and flexibility (Brynjolfsson & Hitt 2005). This explanation is consistent with that of Lee, Kwan and Severance (2007) where they say that the linkages with suppliers can be helpful in the design, handling the inventory etc. which are important for buyer performance. Taylor and Plambeck (2007) explain an instance where the buyer benefits from supplier capabilities. According to him when a firm develops an innovative product and there is a necessity to begin production immediately, the relationship with the supplier is important. A supplier with whom the buyer has developed a long term relationship will not leave the buyer helpless in such a situation. He will utilize his capacity to help the buyer to proceed with the designed product.

Sharing supplier capabilities are also discussed in relation to the asset specific investments (Dyer & Singh, 1998). In IT customization the buyer and the supplier develop systems that share information that specifically suit their relationship. Delbufalo (2012) explains that when the trust between parties develop they are prone to share resources and responsibilities.

Accumulation of Social Capital

Social capital encompasses the resources that are built up as a result of the relationships within the network. (Nahapiet & Ghoshal, 1998). Accordingly the social capital theory holds that the relationships in a network can build up a pool of capital through social affairs that will establish respect for each other. The contacts that further develop from the existing relationships also add to the resources. The improved performance resulting from relationships and the goodwill earned through such performance is also considered as the social capital developed through relationships (Krause et al, 2007). This accumulation of social capital is said to arise from structural capital: organization with which the relationship is established and how such relationship is established, and also the relational capital: that is the relationships developed with each other through a history of interactions.

Benefits of joint decision making

Decision making related to buyer-supplier relationships are identified in two broad areas (Frazier, Jaworski, Kohli, & Weitz, 1994). Decision making which involves looking for better approaches for doing business is strategic decision making. The innovativeness and creativity of the two parties play a key role in relation to strategic decision making. If they are not in a partnership the important insights of the other party would not have been available. Kale, Singh and Perlmutter, (2000) explain that collaborative supply chains are positively related to flexibility performance. Therefore

joint decision making between buyer and supplier can be expected to create flexibility in unpredictable environments.

2.1.3.4 Factors Influencing the Outcomes of Buyer- supplier Relationships

After all, the benefits of the relationship will depend on how well it is managed. The fourth objective of the literature review was to understand what conditions are suggested in literature as those conducive for positive outcomes in buyer-supplier relationships. The review of literature showed that management inertia can lead to conflicts in collaborative relationships in supply chains (Simatupang & Sridharan, 2002) leading to unnecessary costs. This is applicable to buyer-supplier relationships in supply chains too, as the supply chain is a collaborative effort aimed at delivering value to end customers. Authors explain that such negative outcomes result when some members act in their own interest. Managerial inertia so identified are inappropriate measures of performance, outdated policies, asymmetric information and incentive misalignment. Grover and Saeed (2007) suggest that bilateral governance is required to mitigate such negative outcomes. Governance structures describe how control and coordination is conducted across entities in order to facilitate management. As suggested by the Transaction Cost Theory buyer will not always accrue the benefits if the supplier acts opportunistically. Research in transaction cost tradition shows that various forms of opportunistic behavior are common in inter-firm relationships especially during renegotiation of original agreements (Wathne & Heide, 2000). Mohr and Sengupta (2002) too state that governance strategies can reduce the risks of opportunism. According to Mahapartra, Narasimhan, and Barbieri (2010) buyer- supplier relationships are better managed with inter organizational governance structures.

In Integrated Operating Systems buyer and the supplier can establish an environment for open information sharing with mutual commitment and trust. Trusting and believing the other partner is a form of governance. Therefore when there is proper governance in terms of trust partners increase sharing information with their respective partner, which supports Dyer and Singh's (1998) proposition. Dyer and Singh (1998) explain that cooperative initiatives can result from proper governance. Klein and Rai (2009) have observed that when the buyers and suppliers perceive other party to be acting in good faith they tend to share more information. At the same time as a result of governance, parties are encouraged to continue relationships. Both parties to the relationship want to continue their relationship while showing no interest in unilateral gains. Morgan and Hunt (1994) say that when the parties have a clear understanding of what is appropriate behavior in a relationship it provides a tendency to have a continuing relationship. It also prevents one party acting opportunistically (Tangpong & Ro, 2009). When a relationship goes on for a long period of time it provides a fixed way of doing business.

Coordination mechanisms seek to align available information and incentives in such a way that decentralized decision makers act in the best interest of the system (van Veen-Dirks & Verdaasdonk, 2006). Information sharing is an essential tool in management control. By establishing coordination mechanisms that enables information sharing, proper management control can be ensured. Coordination of relationships has to be done in such a manner that the interests of both parties are satisfied. This exercise is a challenge for improving supply chain competitiveness (Bordonaba-Juste & Cambra-Fierro, 2009). Lambert and Schwieterman (2012) have identified it is important for the buyer to make any relationship specific decisions in the interest of both the firm and the supplier. Otherwise it is unlikely that the supplier is fully committed to the interests of both parties. The understanding of Poppo and Zinger (2002) is that the expected results of a relationship between two parties may also vary with the asset specificity, measurement difficulty and uncertainty involved in the transactions. According to them these characteristics make contracts more hazardous and complex. They may also involve additional costs of contracting. It could clearly be seen through the explanation of Tangpong and Ro (2009) that the influence of the relational characteristics of the contract can vary under different contexts. According to them, one such characteristic in the environment that determines the influence of the relational characteristics is the volatility of the environment of the supplier organization. The argument is that when a supplier operates in a volatile environment he looks for novel ways of dealing with the volatility. The buyer will be encouraged to adopt more collaborative initiatives for improvements. Therefore in a volatile environment mutual trust can enhance joint creativity and innovativeness in decision making. Partners who trust each other will involve in taking risks under volatility. This would not have happened otherwise. Due to the mutual trust that develops between the two parties they develop a desire to benefit each other in a risk environment by looking for initiatives to avoid any negative outcomes. In such a situation one party will gain while the other does not achieve the expected gains.

Frazier et al., (1994) explain that this scenario is not common when a buyer and supplier develop a mutual interest and commitment to continue with a relationship. The parties understand that if one party becomes aggressive in a negotiation that will not be healthy for the continuity of the relationship. Consequently, each is likely to deal with the other in a mutually acceptable manner, leading to fewer discussions about the appropriate process that should be engaged in, who should be involved, and so on.

In order to manage their relationships with these suppliers satisfactorily, the company has to manage their long-term

relationships on the basis of trust and mutual commitment so that the relationship becomes satisfactory and profitable for all parties. Also, integration of suppliers beyond the first tier of the supply chain may increase performance of the firm.

Once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve if it acted focusing solely on its own best interest. Buyers that trust the counterpart is likely to be engaged in collaborative joint efforts. This suggests that the buyer that trusts its supplier will exchange relevant, comprehensive, accurate and timely information, and thereby contribute to problem-solving and planning effort. Thus, the trust will form the relational basis for the development and maintenance of joint efforts.

Transaction specific investments (TSI) pose a contractual hazard for any buyer. The buyer's counterpart can exploit such assets because they are non-redeployable or at least have a reduced value in an alternative exchange relationship. A mechanism to protect against the hazards of TSI is by engaging in collaborative joint efforts. This protection is ensured by some form of control within the joint actions. Moreover, joint action creates enough ground for bilateral governance in the buyer-supplier relationship, which helps to reduce opportunistic tendencies that might erode the value of specific assets (Claro, et al., 2006). However, the issue of selecting information and data sharing techniques and technologies also needs to be tackled, in particular in relation with the elements of the second pillar (Matopaulos, et al., 2007). Buyers depend more on suppliers when products are critical. When the product is critical, suppliers prefer low power asymmetry tactics. Literature confirmed that buying firm had less strategic choices when product was critical. Thus by showing more dependence on suppliers, buying firm hoped suppliers would reciprocate. The option to bargain for better lead-time, more process customization and cost reduction was significantly compromised when the product was critical. Buyers had to consider more points on the basis of the criticality. If the criticality rose from matching product with multiple host products, the buyer may not want to insist on process customization from the supplier, as it would inadvertently affect other product lines (Chuah, Wong, Ramayah, & Jantan, 2010). Kannan and Tan (2006) explain that from the buyer's perspective, in addition to engaging with suppliers, a successful relationship is predicated on the selection of suppliers that are also motivated to achieve positive relationship outcomes. While price, quality, delivery reliability and service are the most important criteria used to screen potential suppliers, the specific criteria used and their relative importance depends on the type and circumstances of the purchase. This is well explained in the structural dimension of social capital. The structural dimension refers to how and with whom a particular actor relates (Nahapiet & Ghoshal, 1998).

3. Discussion

Theoretically there are many explanations that justify the benefits buyers could accrue from their relationships with the suppliers. The resource dependency theory, the relational view, the network theory, the resource based view and the transaction cost economics provide such theoretical explanation for positive outcomes in buyer-supplier relationships. All these theories share the same understanding whereby they argue that when two organizations work together, they can mutually benefit each other. Although transaction cost economics discusses of opportunism that can take place when two separate organizations work together they explain that when a relationship runs for a long period it can reduce the cost of transactions.

As far as the empirical evidence for positive outcomes of buyer supplier relationships is concerned, many authors have identified trust as the cause for such results. The information that is shared between the two parties in a relationship is said to have not happened unless they have built trust among them. As a result of trust they tend to share both strategic information as well as operational information. The information so shared can improve the knowledge of the buying firm. That knowledge can be used to improve value addition, operational efficiency as well as social relationships which lead to the formation of social capital. But the supplier with whom the buyer develops the relationship may be dealing with many other organizations. In such situations the sharing of information may not always benefit the buyer. Therefore although literature has identified information sharing to be beneficial for the buyer, it should be analyzed under what conditions it is beneficial. At the same time there could be negative outcomes resulting from opportunism and management inertia in inter firm relationships. In order to avoid that the buyer could always encourage open information sharing and develop belief in the other party. Similarly governance of the exchange can be encouraged.

Since raw material used in the manufacturing process performs a significant role in ensuring environmental sustainability, the relationships established with the supplier is said to be beneficial for the buyer in maintaining sustainability. However unless the buyer monitors and ensures that the supplier is in line with his requirements, this cannot be considered an advantage for the buyer.

Another benefit of buyer supplier relationships that has been identified in literature is the opportunity of sharing the capabilities of the supplier. The involvement of the supplier from the product design stage itself can benefit the buyer since the supplier is responsible for the raw material used in the production. These benefits are both those that could be

visually observed as well as the intangible benefits such as production planning, arising from the capabilities of the supplier.

When the buyer is having close relationships with the supplier, in decision making they can consider the interests of both parties. This can lead to better results. It is essential that the continuity of the relationship is encouraged so that each party acts in the interest of the other. Otherwise there is a risk that parties will not always act in the interest of the other. Literature has also identified that after dealing with a supplier for a considerable period of time the parties can develop their own way of negotiation. The greater the environmental volatility, the stronger the relationship that can be made where both the parties will engage in the strategic decision-making process with mutual trust and creativity.

The results of the literature review also highlight that the buyers have to realize that the relationship with each supplier should be treated as unique. The hazards associated with a relationship can vary with the uncertainty, asset specificity and measurement difficulty. Therefore the nature of the relationship that the buyer develops with each supplier needs to be transaction specific.

These data collected from the literature review provides a sound basis for developing the conceptual framework. It provides a justification for the positive outcomes that can result from a buyer's relationship with his supplier and also explains the variables that can moderate the results. A conceptual framework developed based on these relationships and constructs can therefore be used to understand and analyze the outcomes of a buyer's relationship with his supplier. The relationship that a buyer maintains with the supplier can be operationalized along commitment, adaptation, communication, non-mediated power, resource dependence, trust and uncertainty (Ambrose et al., 2010). The relationship outcomes can be operationalized as information sharing, implementation of sustainability initiatives, sharing supplier capabilities, accumulation of social capital, joint decision making and reduced transaction costs. The variables that moderate the results that are suggested in literature can broadly be identified as bilateral governance, environmental volatility, relationship continuity and relationship hazards. The overall conceptual model can therefore be compiled as shown in Figure 1.

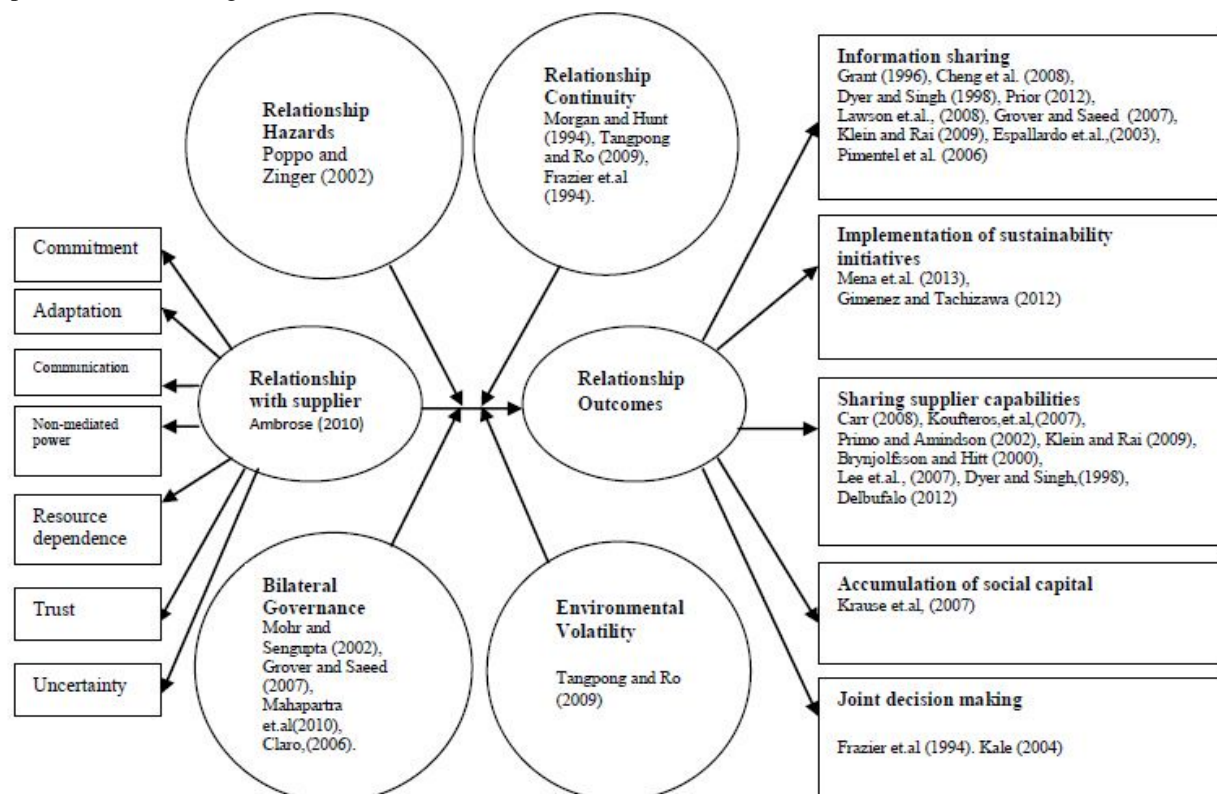


Figure 1. A Conceptual Model for Understanding the Outcomes of Buyer- Supplier Relationships in Supply Chains

4. A Proposed Methodology for Testing the Framework Empirically

The above model constructed based on a literature review can be used in empirical research that aim at studying the outcomes of buyer-supplier relationships. A quantitative methodology can be adopted by a researcher who makes use of the model. A questionnaire can be developed along the different dimensions of the variables and an interval scale can be used to measure the responses.

5. Conclusion

Buyers establish relationships with their suppliers in order to gain the benefits of collaboration in supply chain activities. The relationships can be developed along commitment, adaptation, communication, non mediated power, resource dependence, trust and uncertainty. These relationships bring benefits to both the buyers and suppliers. The benefits of such a relationship to the buyer are information sharing, benefits of joint decision making, accumulation of social capital, sharing resources and capabilities. However unless the relationship is not managed properly the results can be in the opposite direction. Therefore it is important that the buyer develops a relationship with the supplier in such a manner that the expected benefits are gained. Establishing mutual trust and making the supplier believe in what the buyer suggests is one such mechanism. Encouraging continuity of the relationship too enables to eradicate the negative outcomes. Treating each relationship to be unique and establishing a transaction specific relationships could be identified important. However the literature does not provide a framework for those who need to analyze the outcomes of buyer-supplier relationships. This paper addressed the gap through the development of a model that facilitates the understanding and analysis of the relationships a buyer has with its suppliers.

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Appendix A

Articles Included in the Systematic Literature Review

No	Title	Author/s
1	Toward a knowledge-based theory of the firm,	Grant, R.M. (1996).
2	Trust and knowledge sharing in green supply chains	Cheng, J.H. et.al., (2008).
3	Inter-organizational Governance, Learning and Performance in Supply Chains	Espallardo, M. H., Orejuela, A.R., & Pe´rez, M.S. (2010).
4	Inter-firm Strategic Information Flows in Logistics Supply Chain Relationships	Klein, R., & Rai, A. (2009).
5	The Impact of Product, Market, and Relationship Characteristics on Inter-organizational System Integration in Manufacturer-Supplier Dyads	Grover, V., & Saeed, K. A. (2007).
6	Toward a Theory of Multi-Tier Supply Chain	Mena, C. et.al. (2013). Mena et.al. (2013).
7	Extending sustainability to suppliers: a systematic literature review	Gimenez,C., & Tachizawa, E.M.(2012).
8	Supplier dependence: impact on supplier's participation and performance	Carr, et.al. (2008).
9	Relationship between supply chain performance and degree of linkage among supplier, internal integration, and customer	Lee, et.al. (2007).
10	The relationships between supplier development, commitment, social capital accumulation and performance improvement.	Krause, et.al, (2007).
11	Buyer-Supplier Relational Characteristics and Joint Decision Making	Frazier, G.L. et.al. (1994).
12	The Collaborative Supply Chain	Simatupang, T. M., & Sridharan,R.(2002).
13	Supplier relationship management as a macro business process	Lambert, D. M. & Schwieterman, M. A.(2012).
14	The Role of Agent Negotiation Behaviors in Buyer-Supplier Relationships	Tangpong,C., & Ro,Y.K.(2009).
15	The dynamic relation between management control and governance structure in a supply chain context	Van Veen-Dirks, P.M.G., & Verdaasdonk, Peter J.A. (2009).
16	Do Formal Contracts and Relational Governance Function as Substitutes or Complements?	Poppo, L., &Zenger, T. (2002).
17	The Effects of Buyer Supplier Relationships on Buyer Competitiveness	Prior, D.D. (2012).
18	Coordinating collaborative joint efforts with suppliers: the effects of trust, transaction specific investment and information network in the Dutch flower industry	Claro, D.P., et.al. (2006).
19	Buyer Supplier Relationships	Kannan, V. R., & Tan, K.C. (2006).
20	Organizational context, supplier management practices and supplier performance A case study of a multinational company in Malaysia	Chuah, P. et.al, (2010).
21	Buyer supplier perspectives on supply chain Relationships	Ambrose, E. et.al. (2010).

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