

Mapping the Evolutionary Stages of Asymmetrical Supplier-Buyer Relationships:

Evidence from the Turkish Textile Industry

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Introduction

Early studies of buyer-supplier relationships explored a variety of characteristics in supplier-buyer relationships (Hakansson, 1982; Johnsen & Ford 2008). Many researchers also concurred that most supplier-buyer relationships are characterised as asymmetric because buyers were the dominant party due to their high level of market knowledge and skills (Leonidou & Kaleka, 1998; Katsikeas & Piercy, 1990; and Leonidou, 1989). Moreover, asymmetric relationships were considered to be inherently unstable, destructive and short-lived (Pole & Haskel, 2002; Johnsen & Ford, 2002).

In sharp contrast, Gundlach & Cadotte (1994) stated that asymmetry could affect a number of variables including behaviour, communications and perceptions of relationship partners, and as a result, asymmetric relationships cannot be always negative. Hingley (2005) supports this and argues that asymmetry need not be a barrier to develop a relationship; indeed the relationship may provide mutual benefits, which override any possible negative effects of the power asymmetry. For a weaker organization, there appears to be a certain degree of tolerance toward an asymmetry and in some cases power asymmetry has stabilised relationships (Lawler et al., 1988; Rubin & Brown, 1975).

Nevertheless, it is possible to run dyadic relationships effectively if capabilities, resources and relationship characteristics provide complementarities for the parties (Tu, 2010) but researchers have emphasised that existing research is still limited to sum up the complex balance of characteristics in buyer-supplier relationship development (Holmlund, 2004). Furthermore, the size asymmetry could influence small suppliers in both positive and negative ways (Hingley, 2005). In this study we follow the definition of industrial marketing literature for asymmetry in dyadic relationships; asymmetry has been viewed as the size and individual relationship characteristic differences between buyers and suppliers (Johnsen & Ford, 2008).

See additions in brackets:

Asymmetric relationship development remains (a) relatively under explored area in the literature; however, relationship development is (a)well developed area (Andersen & Kumar, 2006). Therefore, this research aim(s) to explore relationship development from (a) size asymmetry point of view, by examining initiation, development and sustainment stages, because there is a very limited research that is able to capture the evolution of asymmetric relationship development during different stages (Eggert, Ulaga, & Schultz, 2006). We address the following specific research question:

How do small suppliers perceive that the characteristics of asymmetric relationships change during initial, development and stable stages?

Supplier-Buyer Relationships

There is no universal model of supply chain relationships that conceptualises constructs in dyadic relationships (Samiee et al., 2006). In supply chain research, the main focus has been on relationship quality and performance related issues (Anderson & Narus, 1990; Geyskens et al., 1996). Furthermore, the behavioural aspects of buyer-supplier relationships were seen to be heterogeneous and fragmented (Leonidou et al., 2006).

Suppliers in an imbalanced position try to establish and maintain their relationships with buyers (Hakansson 1982; Johnson & Ford, 2008; Lee & Johnsen, 2011). Small firms may identify business opportunities with powerful buyers but this may result in the loss of strategic flexibility and the relinquishing of individual objectives in order to preserve one key relationship. This strategic decision needs to balance the benefits of the relational capital gained from the relationship with the cost of investing in satisfying the powerful buyer (Johnsen & Ford, 2008; Meehan & Wright 2011). Furthermore, suppliers may accept short-term losses in order to obtain long-term benefits (Leonidou & Kaleka, 1998).

Examination of asymmetry in supplier-buyer relationships has uncovered a number of characteristics (Ford, 1984; Leonidou et al., 2006; Leonidou, 2003; Skarmeas, 2006; Styles et al., 2008; Johnsen & Ford 2008; Inemek & Matthyssens 2013). However, building an understanding of the characteristics and depth of buyer-seller relationships may provide a framework for firms to understand and manage asymmetric relationships with partners and thus build strategies for maintaining relationships (Lee & Johnsen, 2011). This paper examines the relationship characteristics of uncertainty, adaptation, distance, commitment (Ford 1980; Johnsen & Ford 2008; Meehan & Wright 2011) during relationship development stages.

Relationship Development Stages in Asymmetric Relationships

There are a number of relationship development models that have been developed in line with the neoclassical economic paradigm (Moon & Lee, 1990; Cavusgil, 1982) but they failed to adequately explain the behavioural aspects of relationships (Leonidou & Kaleka, 1998). However, the relational paradigm has offered a complementary view to the economic paradigm (Hakansson, 1982) and Leonidou 2003's conceptualisation of supplier development stages utilised the relational paradigm. According to Leonidou & Katsikeas (2010) this has revitalised study of relationship development in theory and practice.

The initial stage of relationship development is the most critical for supplier organisations because the experience and knowledge gained from this stage can enable progression towards market success (Welch & Wiedersheim-Paul, 1980). Uncertainty is the most critical construct in the initial stage of the relationship and restricts joint decision making so that conflict occurs frequently (Ford & Rosson, 1997). Therefore in order for the relationship to develop, the supplier must show (a) greater level of commitment to (the) buyer (Ford, 1984). In the initial stage supplier will have limited authority over their supply strategy due to their dependence on buyers for information of product requirements, price and market knowledge (Welch and Luostarinen, 1988). The onus is therefore on the supplier to adapt to the buyer's requirements (Leonidou & Kaleka, 1998). Moreover, both geographic and psychic distance is also higher in the initial stage increasing levels of uncertainty (Ford, 1984; Leonidou & Kaleka, 1998).

If the initial stage has been satisfactory for both parties and they have decided to invest their resources in the relationship, partners benefit from knowledge transfer and they step further to the development

stage (Cunningham, 1980). This stage is also characterised with uncertainty and there are also issues related to distance, commitment, adaptation and communication (Leonidou, 2003). However, Welch & Luostarinen (1988) argue that uncertainty will be reduced as the suppliers increase their level of experience by acquiring more information and engaging with the buyer. As the relationship becomes more developed, distance will also be reduced due to an increase in social exchanges and adaptations, which draw the parties together (Ford, 1980). Commitment in the development stage is determined by the performance of each party, how they manage their interactions and their potential for future growth in the partnership (Leonidou, 2003).

Suppliers and buyers aspire to sustain successful relationships (Ford & Rosson, 1982) as it is more cost effective than searching out new partners. A sustainable partnership is attained when both parties are satisfied with the performance of the partnership (Ganesan, 1994; Leonidou, 2003) and this stage of relationship development has attracted researchers' attention in order to examine factors in supplier success (Leonidou & Katsikeas, 2010). In this close working relationship, adaptations are not only in the elements of the marketing mix, but also in strategies, processes, procedures and they build capabilities (Leonidou, 2003; Solberg, 2006). During this stage, inter-dependencies are significant for both parties because of their strong strategic relationships (Ural, 2007).

Methodology

A multiple case study approach (Yin, 1994, p. 99/2013, p.10) was selected for this research to provide an in depth examination of each case and explore how asymmetric relationships evolve between buyers and suppliers during the initial, developing and sustainment stages. The case study approach is interpretivist, philosophically grounded in social constructionism and discussions between researcher and participant explore the essence of the phenomenon under examination (Kvale & Brinkmann, 2009). Furthermore, case studies use a variety of data sources and this builds a more holistic picture of the phenomenon being studied (Yin 1994; 2013). A multiple case study approach was selected in order to build theory, developing an understanding of the similarities and differences between the different supplier organisations (Coviello & Jones, 2004; Easton, 1998; Eisenhardt, 1989; Yin, 1994; 2013) as it has also been seen as appropriate for supply chain IMP research (Leonidou & Kaleka, 1998; Johnsen & Ford, 2006; Johnsen & Ford, 2008).

The empirical data collection included a total of twenty semi-structured interviews conducted with ten small and medium textile suppliers in relationships with larger buyers. Within each case study two interviews were conducted with the owner/director (involved managerial activities) and a production manager (involved daily operational activities). Ten case studies were identified through initial contact with The General Secretariat of the Istanbul Textile and Apparel Supplier Association (ITKIB) in Turkey.

The initial contacts with participants from each supplier company were via telephone and e-mail. The areas for discussion related to relationship stages, characteristics and strategies employed by suppliers. All interviews were tape-recorded and notes were taken, transcribed verbatim, and translated from Turkish into English. Therefore, the translation process was carefully conducted by the researchers and a second review was requested from the translation office, which is accredited by official bodies in Turkey. In addition to the interviews, other data collection methods were employed, including reviews of company documents and archives, published statistics by official bodies such as WTO 2011, reports, marketing and market related information and facts from the companies' websites. This information was gathered in order to make the researchers more aware of the current state of the case companies and their environments. The researchers studied averaged 7-10 pages of each

company's reports, seeking information on companies' past, financial stability, directors and managers' responsibilities. The reports of official bodies in Turkey were reviewed to seek information on the textile industry and textile export and the case companies' positions within the industry ITKIB (2013). Consequently, researchers collected cross sectional data from the ten case studies.

As Yin (1994, p. 99/2013, p. 10) suggests the analytical strategy follows the stages of "searching, categorising and tabulating", analyzing the data from cases through matrices 'pattern matching' the empirical data with the research questions. Each case was analyzed, data sources were filtered and organised in order to capture experience of the suppliers, build a structure for the findings and matching the patterns with a narrative illustration of asymmetric relationships during initial, developing and sustainment stages (Collis & Hussey, 2003).

Conceptual clusters and role-ordered matrices were employed as the process for coding (Miles & Huberman, 1984) that led to organizing and structuring the data analysis. This provided an opportunity for within-case comparison and demonstrated the similarities and differences between respondents in the organisation. Cross-case analysis was used to aggregate and find patterns in the findings (Yin, 1994/2013) enabling the researchers to validate the findings externally, build appropriate theory and demonstrate new findings (Eisenhardt, 1989). Meta-matrices enabled fine cross-case comparisons and categorization of patterns across the ten case studies (Miles & Huberman, 1984).

Findings

Initiation Stage

Two case companies were classified as being in the initial stage. Small suppliers had very little chance to confront buyers requirements thus they were more tolerant and the level of acceptance of managerial and operational changes was unquestionable. On the other hand, suppliers had to go through a necessary but vitally important process in order to secure their relationships for the next stage by acknowledging and recognizing the pit falls and difficulties, they were cementing the base for critical thinking about the boundaries and the possible actions to be taken in size asymmetry.

Poorly-defined relationships with buyers created high levels of uncertainty. In addition, long-term financial expectation generated more risk taking by stretching resources and coping with the demands of manufacturing and production, whilst the opportunistic tendencies of the buyer increased uncertainty in managing to deliver orders on time. Distance was still a key issue in their relationship. The lack of familiarity with the buyers' culture, management systems combined with irregular information exchange was the major factor that influenced suppliers' perception of distance. The buyers' preference for keeping relations at a standard level resulted in extending communication, manufacturing and delivery processes between parties and maintained both cultural, organisational and institutional distance. Significantly, the longer the initiation stage the less likely the relationship would evolve into the next stage.

Development Stage

Three case companies were classified as in the development stage. They focussed upon relationship expansion with the buyer. Uncertainty was still an issue in relationships in this stage. However, it was apparent that there were certain improvements that were shifting influence towards a more balanced relationship. Frequent communication, greater transparency and increased trust on a personal level but also trust related to management and production process enabled greater stability in

decision making and relationship direction which reduced financial risk significantly. Understanding the industry and organisational lingua franca, in addition to the learning about institutional standards were key to relationship development according to one participant.

In this stage, adaptation was an necessary actions that required by the buyers. This was providing a good ground for supplier to demonstrate what could be committed best managerially and operationally in relationships with size asymmetry. Significantly, the improving frequency in relationships was positively influencing all other relationship characteristics in size asymmetry.

Stable Stage

Five case companies were identified as in the stable stage, they had a focus on sustainability in relationships with the buyer. Suppliers were providing innovative ideas, accommodating distance by making regular visits to the buyers' offices in foreign countries and face to face communications and discussions as it was existed in relationships in a lesser extent. There were key improvements in interactions including high level managerial and technical understanding, regular and planned communication, and information exchange. Through mutually shared responsibilities there was a high level of transparency, which enabled any problems to be identified and solved expediently to the satisfaction of both parties. However, there was some uncertainty around the viability of strategic plans and future technology investment which were led by the buyer and driven by market demands. High-level understanding and acceptance of each other's values and norms and the agreements on quality/price issues prevent opportunistic behaviour from either party. Problems have been solved through clear communication channels by recognising each other as equal partners.

Discussion

This research sought to build an understanding of the evolutionary characteristics of supplier-buyer asymmetrical relationships during the initial, development and stable stages. Previous studies have emphasised the importance of understanding how relationship characteristics are defined in asymmetrical supplier-buyer relationships (Hakansson 1982; Hingley, 2005; Leonidou, 2003); Leonidou et al., 2006; Lee and Johnson 2012). This research extends this work by collecting data from suppliers that supports the view that strategic decisions need to balance the benefits of the relational capital gained from the relationship with the cost of investing in satisfying the powerful buyer. (Johnsen and Ford, 2008; Meehan and Wright 2011). Moreover, although it is difficult to predict the degree of commitment required by each party in the early stage of the relationship, as relationships develop the level of commitment will increase (Leonidou, 2003). The findings from this study identify where the supplier requires the commitment and how the high level of uncertainty is managed in the early stages of relationship building. In accordance with (Welch and Luostarinen, 1988), our findings indicate that suppliers have limited authority over their relationship strategy in the early stages, due to their dependence on importers for information relating to product requirements, price, market knowledge and technical procedures. And whilst suppliers may accept short-term losses in order to obtain long-term benefits (Leonidou and Kaleka, 1998) this is a strategic decision brought about by the need to develop relationships with large buyers. Thus, the acceptance of short-term losses appear that this is tactical side of relationship building that is so called tolerance but eventually the strategic movement start after. As a result, tactical and strategic approaches of suppliers offer to see different dimensions of same relationship characteristic in each stage of relationship development. Our findings also concur with (Leonidou, (1989; Katsikeas and Piercy, 1990) power remains in the

hands of the buyers due to their expertise in the markets in which they operated. However, in order to mitigate the uncertainty at each stage in the relationship, our study shows that particular action is required when considering each variable as detailed in Table 1. This may provide guidance on how suppliers should tolerate tensions early in the relationship; build strong bonds in the development stage in their relationships; and finally in the stable stage, show how asymmetrical (imbalanced) relationships can move towards balance.

Table 1.

Initial	Development	Stable
Acknowledge-Uncertainty	Managing-Uncertainty	Involving- Uncertainty
Recognizing-Distance	Managing-Distance	Accommodating-Distance
Accepting-Adaptation	Demonstrating-Adaptation	Innovating-Adaptation
Tolerating- Commitment	Demonstrating-Commitment	Continuing-Commitment

Conclusion

The overarching aim of this research was to build an understanding of supplier-buyer relationship development in seeking to build theory about supplier-buyer relationship characteristics. Our approach was to qualitatively explore how small firms perceive asymmetric relationship characteristics, namely uncertainty, distance, adaptation, commitment change during relationship development stages. This may provide a guidance for managers as the key contribution of this research shows how, during each stage of asymmetric relationship development, there is a different focus on each variable.

A key contribution is the recognition that asymmetry should not always be perceived as negative. The asymmetry is most often down to the experience of the buyer, who has market knowledge, and familiarity with distribution channels and customer needs. Therefore this research indicates that whilst there is a high level of uncertainty at the initiation stage, there has to be an acceptance that this is a learning process. Thus listening to the buyer needs and gaining insight to their market knowledge, technological expertise and meeting their needs, if not exceeding their expectations, will help build commitment and reduce distance, enabling the supplier to strengthen their relationship. Our research identified significant differences in the way managers handle the distinctive variables at each stage of the supplier buyer relationship. Moreover, this model can enable managers to build a suitable platform to construct deeper, more enduring relationships that benefit both parties.

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