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Managing and developing key supplier relationships: An introduction to the special issue, discussion and implications

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ABSTRACT

This article provides an introduction to this special issue on managing and developing key supplier relationships. Key suppliers are increasingly seen as strategic assets of buying companies which need careful nurturing to fully utilize their potential for value creation. The six articles of this special issue, each providing a distinct contribution to the extant knowledge base on key supplier management, are briefly introduced. Finally, this introduction concludes by providing our vision on the key supply management concept and some suggestions for future research directions.

1. Introduction

In recent decades, the management of strategic relationships, be it vertical (e.g. buyer–supplier), horizontal (e.g. strategic alliances), or lateral (e.g. with NGOs), has received increasing interest. Studies have focused upon different relationship types, from setting up joint ventures or other types of alliances with specific suppliers (Houston & Johnson, 2000) to the development of suppliers across the supply base (Modi & Mabert, 2007), and from assessing the quality of buyer–seller relationships (Ivens & Pardo, 2007; Moorman, Zaltman, & Deshpande, 1992) to meta-analytical studies aiming at developing generic models of relationship marketing (Geyskens, Steenkamp, & Kumar, 1999; Palmatier, Dant, Grewl, & Evans, 2006). In general, companies all have a diverse set of supplier relationships. Within such a supplier portfolio it is common to use some sort of segmentation and to identify those relationships most important or most “key” to the buying company (Ivens, Pardo, Salle, & Cova, 2009).

When looking forward in the supply chain, key relationships are usually considered to be part of a key account management (KAM) program, a concept which is also well-established in the marketing literature (e.g. Boles, Johnston, & Gardner, 1999; Boles, Pilling, & Goodwyn, 1994; Pardo, 1999; Shapiro & Moriarty, 1984). In a series of empirical studies, authors have tried to identify differences between KAM and the management of accounts that are not key for the performance of a company (e.g. Ivens & Pardo, 2007), analyzed whether different forms of KAM exist (e.g. Homburg, Workman, & Jensen, 2002), or what performance implications the introduction of KAM has (Workman, Homburg, & Jensen, 2003).

Key supplier management (e.g. Corsten & Felde, 2005; Pardo, Missirilian, Portier, & Salle, 2011; Ulaga & Eggert, 2006) is another concept firms increasingly implement in order to manage important supplier relationships. We propose that key supplier management (KSM) can be interpreted as the mirror image of key account management. Fundamentally, it deals with the question how to analyze, plan, manage, and control interactions with these key suppliers. Within this research area, Van de Vijver (2009) provided a comprehensive overview of literature on dealing with collaboration in buyer–supplier relationships, whereas there are also several case-based “narratives” showing how close relationships can develop in a good or bad manner (e.g. Anderson & Jap, 2005; Narayandas & Rangan, 2004).

However, the idea of managing a KSM program is not as strongly developed (e.g. Pardo et al., 2011). Meanwhile, managing key suppliers is becoming increasingly important for companies as illustrated by the launch of dedicated key supplier programs and the integration of supplier relationship management in their organizations. Hence, the main objective of this special issue is to further explore the KSM phenomenon: how should it be organized, what are the (organizational) implications, and which benefits can be realized.

2. Articles of the special issue

In total we received 21 papers for this special issue. After two rounds of a double-blind review process we in the end accepted six articles, each providing its distinct perspective on and contribution to key supplier management. Table 1 provides an overview of the six articles.

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Table 1
Overview of articles in special issue on key supplier management.

Authors	Title	Research design
Day, Fawcett, Fawcett & Magnan	Trust and relational embeddedness: Exploring a paradox of trust pattern development in key supplier relationships	Case studies
Nagati & Rebolledo	Supplier development efforts: The suppliers' point of view	Survey (Canadian manufacturing sectors)
Praxmarer-Carus, Sucky & Durst	The relationship between the perceived share of costs and earnings in supplier development programs and supplier satisfaction	Dyadic survey (38 supplier–buyer pairs)
Bhalla & Terjesen	Cannot make do without you: Outsourcing by knowledge-intensive new firms in supplier networks	Ten dyadic case studies
Holmen, Aune & Pedersen	Network pictures for managing key supplier relationships	Embedded case study
Makkonen & Olkkonen	The conceptual locus and functionality of key supplier management: A multi-dyadic qualitative study	Multi-dyadic case study

In their contribution, Day, Fawcett, Fawcett, and Magnan et al. (2013) explore the dual role of trust as both enabler and constraint in building relational capabilities between buyers and suppliers engaged in long-term, in-depth relationships. The case approach enables a fine-grained analysis of evolving trust patterns, its antecedents and resulting outcomes. The authors also define and position the concept of value co-creation in key supplier relationships. Furthermore, they show that the process of trust-building and in particular the (joint) existence of positive cycles as well as negative ones remains one of the most complex yet essential areas of interest within the buyer–supplier literature. Their case findings show that it is too simplistic to assume that trust by definition has a positive effect on relationship outcomes. Finally, they stress the need for further conceptualization of trust patterns and relationship performance.

Trust is also a key construct in the article of Nagati and Rebolledo (2013) on supplier development efforts from a supplier's perspective. In view of the trend to increasingly outsource a variety of business processes, competent suppliers are vital for buying companies to enhance their competitiveness. Supplier development (SD) is a supplier management practice typically associated with managing key or strategic supplier relationships. Existing research from a buyer's perspective points at a positive effect of SD efforts on supplier performance, yet few studies focused on the supplier's perspective. In this article the conditions favoring suppliers' participation in SD activities are explored, using survey data from a sample of Canadian companies from various manufacturing sectors. The empirical results suggest that trust and customer preferred status are key antecedents of supplier participation in SD activities. Moreover, the results confirm the positive impact of this participation on the supplier's operational performance. The results also indicate that a dynamic environment, for example due to a regular demand for new products and services, motivates suppliers to participate in SD activities.

Supplier development is also a central theme in Praxmarer-Carus, Sucky, and Durst et al.'s contribution (2013). They argue that SD programs require investments by both parties and may produce higher earnings. However, the associated distribution of costs and earnings is still a relatively unexplored topic. This article focuses on the effects of a supplier's perceived share of costs and earnings in SD programs on supplier satisfaction. Based on a sample of 38 suppliers in German speaking economies (Germany, Austria, and Switzerland), the results indicate that the supplier's perceived share of earnings affects supplier satisfaction positively and that distributive fairness mediates this effect. Moreover, using dyadic data from 38 buyers and 38 suppliers, this research indicates that the gap between the supplier's and buyer's perceptions of their share of costs and earnings increases when suppliers are less competent. Close contacts and intense communication with suppliers where competency is at lower levels, is an important way to improve, and to eventually come to a more aligned view on the distribution of costs and earnings between buyer and supplier.

In the following article, Bhalla and Terjesen (2013) focus on outsourcing practices and competencies in new firms in dynamic, knowledge-intensive industries. The focus in previous research has predominantly been on outsourcing efforts of large, established firms whereas for new, start-up firms outsourcing is also of vital importance since the locus of innovation is likely to be found in networks. A central question of this article is how new firms operating in dynamic environments organize their outsourced activities. Building on transaction cost theory and the resource based view, case study data from ten biotechnology start-ups and twenty of their suppliers have been collected and analyzed. The research results reveal that new firms outsourcing to suppliers with a leading role in the network (highly-embedded) are likely to secure access to a wider supplier network. In doing so, start-ups may attain best-in-class operational knowledge and avoid supplier opportunism, while facing low levels of relationship-specific investments. New firms outsourcing to suppliers at the periphery of networks are more likely to realize cost efficiencies, expose themselves to opportunism, uncertainty, and higher levels of relationship-specific investments but low levels of operational knowledge. In terms of managerial implications, Bhalla & Terjesen propose that new biotechnology firms should possess a distinct set of five competencies (technical, evaluation, relational, entrepreneurial, and integrative operational) to reap the benefits of outsourcing. Their rich case dataset contains specific examples on how to develop each of these competencies in dynamic networks.

Networks also play a central role in the article of Holmen, Aune, and Pedersen et al. (2013). They build on supply network research suggesting that a buying company must manage its key suppliers in their structural network context. Network pictures, defined as the views of the network held by participants in that network, form a central concept in their research. It is essential to evaluate such network pictures on a regular basis since the importance and effect of key supplier relationships are broader than the relationship itself. The results presented in the article of Bhalla and Terjesen (2013) indeed reveal that the network of a specific supplier and the position of that supplier in the network of the buying company partly determine the value of these relationships.

Holmen et al. execute a single, embedded case study of a buyer and its four most important suppliers, explicitly aiming to contribute to theory development. The case findings reveal that a buying company may benefit from assessing the congruence between the buyer's key supplier network picture and the key supplier's own network picture. This congruence can be achieved by paying attention to elements which are obsolete, incorrect, incomplete, or generic, as well as by reflecting on the usefulness of the generic categories. Moreover, a buying firm can acquire new insights and find opportunities in key supplier networks by using a mix of four strategies: systematic search, systematic discovery, chance search, and chance discovery. In other words, by determining current network pictures, identifying gaps, and considering a “desired” structure, companies can develop strategies to improve their network position and decide on preferred actions with respect to key relationships.

In the final article of this special issue, Makkonen and Olkkonen (2013) address the concept as well the functionality of key supplier