



Buyer–Supplier Relationships: A Case Study of a Japanese and Western Alliance

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With the increasing liberalisation of markets, new opportunities are emerging for smaller firms with unique products and services to establish strategic supply relationships with larger component buyers, sometimes across normal cultural divides. For many Western SMEs, developing a long-term relationship with a Japanese buyer has been critical for success in the market. However this involves the challenge of adapting to Japanese style buyer–supplier relations, especially in the monitoring area. This article reports the observations made in a field study of such a culturally sensitive relationship between a Japanese buyer and a Western supplier, especially in areas such as differing perceptions of product features and quality, business procedures, and rewards. Difficulties and solutions that arose in the relationship are logged, and the advantages of training at all staff levels, the potentially critical role of ‘link-pin’ and the value of formalised linking processes are examined as ways of achieving congruence between the expectations of the two sides. © 2002 Elsevier Science Ltd. All rights reserved.

Introduction

Today’s business world is one of inter-corporate relationships, found in an increasing variety and complexity of forms—joint ventures, license agreements, franchising, research/technology consortia and strategic supplier networks.¹ Many of these relationships are between parties from very different national and organisational cultures, and often it is this very difference that creates the value proposition behind such partnerships. A firm valuing independence and innovation, and finding such qualities are not fostered in its own business climate, may seek an alliance with a firm from an alternative business culture. But such partnerships can face significant barriers to long-term success, mostly

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arising from the different perceptions and expectations of each party, which have been formed by the unique economic, social and cultural environment of their country of origin. These differences may include issues of product features, customer-driven quality, business procedures and controls and rewards expectations. However, for the partnerships to flourish, these barriers must be overcome, and some productive compromises must be found between different styles of business achieved—simply imposing one partner's business culture on the other would negate the very value proposition that underpins the choice of a partner from a different culture.

This research study considers how some of these control issues played out at a single site where an Australian firm with a unique high-tech product entered a partnership as a supplier to a large Japanese firm. The relationship established can be characterised as a buyer–supplier *partnership* with the Western firm responsible for product development and the Japanese firm responsible for market development. The study examines the sources of the difficulties that arose and the alternative modes of adjustment that were employed to secure a successful partnership despite the differences in both scale and background business culture of the partners.

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Monitoring buyer–supplier relationships

Previously viewed merely as 'procurement', supply is now seen as a strategic part of a value chain that stretches from the supplier to the end-customer. Suppliers are no longer individual, transient providers, chosen purely on the basis of lowest cost, but networked 'business partners', selected to allow organisations to improve continuously and deliver value to their stakeholders.

While Japanese buyer–supplier relationships vary among firms and across industries, with firms as different as Toyota, Canon and Nintendo naturally adopting different approaches to dealing with their suppliers, certain commonalities (discussed extensively by Nishiguchi²) can be noted. An understanding of these is vital to developing successful relations with a Japanese firm.

Once a Japanese buyer has selected component suppliers, they will be retained during the life cycle of the specific model: this was the approach taken by the Japanese in this case. Personnel from the buyer firm will typically be in charge of training supplier staff on the buyers' production and quality procedures, and also go beyond this formal role to make a comprehensive evaluation of the whole firm. This evaluation is critical to the relationship, as the buyer firm 'tests' whether a long-term relationship with the supplier is viable, and can obviously be made problematic if there are communication difficulties between the two sets of personnel. If the supplier firm can pass this test, the future prospects for a valuable long-term relationship are extremely good.

Western firms need both to understand the unique characteristics of Japanese buyer–supplier relations and to develop specific

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