

Retailer–buyer supplier relationships: The Japanese difference

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Abstract

The purpose of this study, which draws data from a national survey of Japanese retail buyers, is to provide insight into how culture influences channel relationships and to suggest how non-Japanese partners can facilitate long-term relationships. Results indicate that Japanese retailer long-term orientation with a supplier is an antecedent to trust, economic dependence and satisfaction with the supplier rather than an outcome of these constructs. This study implies that Japanese retailers are expected to look out for the best interests of their partners, rather than continuously seek new partners, and, further, partners learn to negotiate differences rather than seek dissolution of the relationship.

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Introduction

Channel researchers have recently realized that existing channel-relations frameworks—in which dependence, power, conflict, and satisfaction are central concepts—are not enough to predict successful retailer–supplier relationships. Researchers have tracked changes in the nature of interrelationships among channel members, which are characterized as *working partnerships* (Anderson and Narus 1990) or *strategic alliances* (Day 1990). These relationships emphasize channel member adoption of long-term orientation and cultivation of trust, factors that can reduce transaction costs and be an important source of competitive advantage (Anderson and Narus 1990; Doney and Cannon 1997; Dyer and Chu 2003; Ganesan 1994; Geyskens et al. 1998). Studies on long-term orientation and trust in retailer–supplier channel relationships, however, have been conducted primarily in Western settings, and little information is available for regions with different cultural characteristics (Geyskens et al. 1998). Studying long-term orientation and trust in a country

like Japan can provide useful insight into the next generation of channel relationships in countries where long-term orientation has developed in the last few years.

This study examines a model of Japanese retailer channel relationships with their suppliers based on the traditional assumption that the Japanese are oriented to long-term relationships as a means of promoting harmony and loyalty. This model proposes that Japanese retailer long-term orientation toward suppliers is an antecedent of Japanese retailer trust and economic dependence on the supplier rather than an outcome of these constructs, as in the case of the Western channel relationships.

Conceptual framework

Cultural characteristics in Japanese retailer–supplier relationships

Studies focused on Japanese retailer–supplier relationships reflect the Japanese cultural trend toward maintaining harmony and loyalty. For example, Johnson et al. (1990) examined the relationships among influence, control, and conflict for Japanese distributors of U.S. products and found that mediated influence strategies—such as the promises of

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rewards, threats of punishment, and warnings of legal strategies used by U.S. firms—significantly decreased Japanese distributor control. In contrast to findings in the Western literature, these strategies had no significant effect on the level of channel conflict (Johnson et al. 1993). Japanese perceptions of their channel partner's use of power did not affect feelings about relationship quality.

Western researchers often describe Japanese channel relationships as being stable, personal, and focused on long-term dealings with well-known partners (Fahy and Taguchi 1995; Sternquist 1998). Because the Japanese generally emphasize harmony and loyalty, business relationships—once formed—are expected to last for decades; these expected long-term relationships become socially institutionalized norms. Long-term orientation as an institutional element pertains to the long-term view of channel members in general, rather than to the long-term orientation held by a particular retailer–supplier dyad (Kim and Oh 2002).

Foci of existing Japanese retailer–supplier relationship research have been limited to dependence/power structures—that is, to antecedents and outcomes of dependence and power (Sternquist et al. 2000, 2002)—and have overlooked the influence of long-term orientation and trust on Japanese channel relationships. Accordingly, adding trust and long-term orientation constructs into existing dependence/power structures may render a more complete picture of Japanese retailer–supplier relationships.

A model of traditional Japanese channel relationships: long-term orientation

Firms with a long-term orientation perceive that their outcomes are interdependent with partner outcomes, and expect joint beneficial outcomes in the long run (Kelly and Thibaut 1978; Ganesan 1994). Firms with a long-term orientation depend on “relational exchanges” to maximize profits over a series of transactions, whereas firms with a short-term orientation rely on the efficiencies of “market exchanges” to maximize profits in individual transactions (Ganesan 1994, p. 3). Thus, firms with a short-term orientation only consider current options and immediate outcomes. In addition, long-term orientation has been differentiated from expectations of relationship continuity (Noordewier et al. 1990): Long-term orientation focuses on the strong desire for and intent to establish long-term relationships, rather than on the desire for probable future interactions (Ganesan 1994; Morgan and Hunt 1994).

In Japan, channel members prefer to deal with partners they know well. Uehara (1989) identified continuity of transactions as a significant qualification for a business partner. A Japanese seller or a buyer attempts to choose partners based on past transactions. This practice results in excluding alternative partners with little or no history of past transactions and eventually leads to a long-term mutual relationship between the seller and the buyer (Uehara 1989).

Outcomes of long-term orientation: trust

In Western culture, trust is an outcome of social interactions, rather than the result of institutional arrangements or generalized morality (Powell 1990; Uzzi 1997). Trust is produced through past experiences in which a partner has met expectations (Zucker 1986). In Japan, however, trust may not result from social interactions, but from the emphasis on social sanction—any on-going relationships should be long-term and any one who violates this norm will be ostracized from the system (Wolferen 1990). Researchers posit that trust can only exist when the trusted party has the opportunity to cheat, but because of goodwill, does not cheat (Anderson and Narus 1990; Hagen and Choe 1998; Yamagishi and Yamagishi 1994). Based on this notion, Hagen and Choe (1998) questioned whether trust in Japan can be called “trust,” because social sanctions reduce opportunities to cheat without repercussions. Japanese have significantly lower trust and cooperate less in the absence of a sanctioning system than do Americans; there is, however, almost no difference when sanctioning is offered (Yamagishi and Yamagishi 1994).

Hagen and Choe (1998), therefore, argued that sanctions foster Japanese inter-firm trust: “Group members can trust one another—not because of each one's belief in the goodwill of the other, but because each is aware of the institutional and social sanctions that induce other group members to behave in a trustworthy fashion” (p. 592). Hagen and Choe contended that social sanctions facilitated by mutual monitoring between firms and by rapid dissemination of information about the credibility and reputation of participating companies in retailer–supplier networks foster trust in Japanese inter-firm relations. We thus propose that trust is fostered by long-term orientation:

H1. In Japanese retailer–supplier relationships, retailer long-term orientation with suppliers has a positive influence on trust in the supplier.

Outcomes of long-term orientation: economic dependence

In studies of Japanese retailer–supplier relationships (Sternquist et al. 2000, 2002), the dependence of retailers on suppliers was not driven by supplier role performance. In Japanese channel relationships, economic performance is a necessary goal, but it is not the single decision-making criterion in business relations. Accordingly, economic dependence of Japanese retailers on suppliers is derived from a long-term orientation rooted in Japanese culture; therefore, the following hypothesis is proposed:

H2. In Japanese retailer–supplier relationships, retailer long-term orientation with suppliers has a positive influence on economic dependence on the supplier.

Functionality of conflict

Functionality of conflict is defined as “an evaluative appraisal of the results of recent efforts to resolve disagree-

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