

Relational stability and alliance performance in supply chain[☆]

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Abstract

Drawing on the theories of social exchange and goal interdependence, this paper examines the antecedents of relational stability in supply chain alliances and if the stability affects alliance performance in supply chain in the context of manufacturing firms. The results show that both relational commitment and trust of supplier have positive effects on relational stability in supply chain alliance, which in turn positively affects the alliance performance. These results have important implications for researchers investigating the effectiveness of supply chain alliances as well as practitioners seeking to improve alliance performance in supply chain.

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1. Introduction

In past decades, cooperative alliances have attracted increasing interest from operations management researchers. In a competitive setting, alliances bring firms some advantages including enabling them to enhance cooperative behavior and resolve competitive conflicts [1], obtain greater learning benefits [2], develop innovative products [3], deal with turbulence and market uncertainty [4], and in some firms improve technical skills [5].

In line with the paramount interest in alliances, scholars are paying attention to buyer–supplier relationship. Managing interorganizational relationships to create closer linkages and greater cooperation is generally regarded as providing significant potential for corporate success [6]. A strong buyer–supplier relationship requires a stable relationship in order to realize long-term benefits. Complementing the long-term orientation of a buyer–supplier relationship that concerns the interdependence of outcomes for the relationship [7], relational stability requires the willingness of firms to make short-term sacrifices to maintain the relationship when firms feel secure and confident in the relationship for long-term benefits [8]. Firms that form strong relationships with suppliers can better align their interests and goals with those of their suppliers [9]. Buyer and supplier firms in a supply chain tend to heavily rely on cooperation to survive in an uncertain business

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environment that is characterized by rapid product obsolescence and evolving customer needs. These firms pursue growth mainly through effective cooperation and working jointly with partners in their supply chain, which in turn results in more new product offerings, enhanced new skills, and dissuaded competition [10]. However, these firms still face problems in achieving their growth. First, evolving market needs to make products obsolete quickly, with firms facing more intensive competition than ever before. Second, imbalanced information and lack of resources have also been the reasons causing the ineffectiveness of supply chain relationship [11]. “Looseness” between firms has been used to describe the problems these firms face [12]. Prior studies have suggested that cooperative alliance is a potential strategy to offset the looseness in a supply chain for the improvement of supply chain relationship because it requires a reasonably open exchange of information to maintain the relationship and promote success for both sides of the exchange dyad [13]. Empirical studies have found that, cooperation in the form of alliances, enable firms to share financial risk, improve service quality, increase productivity, and reduce costs (e.g., [14]).

The cooperative alliances formed between suppliers and buyers can be illustrated by two broad streams of explanations. The first suggests that the partner firms along the supply chain form strategic cooperative alliances to acquire needed resources, learn new technical skills, and obtain information [10,5]. Informed by the social exchange theory, this explanation indicates that social relationships are formed and maintained because the partner firms offer reciprocal benefits to one another over time [15]. If they did not, the relationships would cease to exist [16]. In line with this, prior studies have suggested the important roles of social network and organizational linkages in social capital (e.g., [5]). In cooperative alliances, the partner firms are closely integrated through voluntary, informal, and reciprocal bonds through which their resources are exchanged [17].

The second explanation is drawn on the goal interdependence theory. According to Deutsch [18], people’s beliefs about how their goals are related to their partners’ goals determine the way in which they interact with their partners, which in turn affects their performance and group cohesiveness. In particular, when an exchange is structured cooperatively, there are positive correlations among team members’ rewards. Cooperative alliances between firms in a supply chain enable the partner firms to create perceptions of shared goals and promote supportive behavior, whereby each

partner looks out for the interests of the others. A successful alliance has a long-term orientation requiring trust, loyalty, and sharing of information, risks, and rewards [19]. These partner firms share past resources (e.g., experiences and know-how) that are beneficial to firms in a supply chain, which can in turn improve the effectiveness of the supply chain as firms exploit the resources in their exchange. As such, alliance performance can be viewed as the sustainability of a stable and cooperative relationship that enables allying partners to attain benefits from the relationship.

Relational stability is important in an alliance because, when accomplished, both organizations can concentrate on their core businesses while having the opportunities to venture into other markets [20]. Statistics suggest that the major reason alliances fail over time is the shift in one of the alliances’ strategic directions. As such, relational commitment has been shown to be a determining factor affecting successful partnership [21]. Prior research has suggested that such basic principles as (1) being responsible, (2) following through on alliance assignments, (3) treating alliance with equality, (4) being of equal importance, and (5) being reliable no matter what problems arise, nurture a successful alliance [22].

Alliance in a supply chain is important to integrate supply chain networks [23], as they emphasize long-term association and encourage mutual planning and problem solving [24], while relational stability determines the consistency, steadiness and effectiveness of alliances. Although previous studies have advanced the understanding of cooperative alliances between buyers and suppliers, several research gaps remain. First, prior research on supply chain alliance has focused mainly on the effectiveness of alliances [25]. Relational stability in supply chain alliances has received limited research attention.

Second, a majority of past studies have focused attention on alliances in general business relationships with only a few of them have examined firms outsourcing less competent supply chain operations. For example, it is increasingly becoming a common practice among partner firms to use logistics service providers for handling all or part of the logistics activities of their exchange [26,27]. Yet, little research has assessed the driving forces that lead to relational stability between suppliers (e.g., logistics service providers) and buyers in supply chain alliances. In particular, the driving forces can be presented through relational commitment, capital, and trust, which are characteristics of a buyer–supplier relationship that may affect the stability of the relationship

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