

Building long-term orientation in buyer–supplier relationships: The moderating role of culture

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ABSTRACT

This research investigates buyer–supplier relationships in international markets. Research and practice have shown that buyer–supplier relationships benefit when partners to the relationship exhibit a long-term orientation. The extant literature suggests that a buyer's trust of a supplier and the supplier's performance affect the buyer's long-term orientation toward the relationship. We propose that the relative effects of trust and performance on long-term orientation are moderated by culture – specifically the individualism/collectivism dimension. Hypotheses are tested on data from two individualist and two collectivist cultures, using responses from over 600 purchasing professionals in the United States, Anglophone Canada, Francophone Canada and Mexico. Taken together, empirical findings suggest that cultural differences warrant consideration in developing successful purchasing strategies.

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1. Introduction

Competition provides one of the primary motivations for a firm to refine its purchasing strategies (Kraljic, 1983; Krause et al., 2009) with the aim of increasing the value proposition of a product or service to a firm's customer. One way that firms increase this value proposition is by engaging suppliers from relatively lower-cost regions of the world – increasing value by lowering purchase cost. This trend towards “global sourcing” results in increasingly complicated supply chains (Markman et al., 2009) that necessarily traverse nations and cultures (Jiang et al., 2007; Metters and Verma, 2008; Monczka et al., 1998; Trent and Monczka, 2003). The success of this “global sourcing” strategy depends, in part, on the ability of supply chain partners to create appropriately focused value-adding buyer–supplier relationships (Trent and Monczka, 2003).

Buyer–supplier relationships have been the focus of considerable supply chain management and marketing research, supporting the notion that trust, commitment, and long-term orientation are important antecedents to effective buyer–supplier relationships (Griffith et al., 2006; Johnston et al., 2004; Monczka et al., 1998; Trautmann et al., 2009). The extant literature is largely driven by the belief that appropriately structured, well-functioning buyer–supplier relationships foster improved

performance (Monczka et al., 1998). However, cultural differences may well present challenges to the health of these relationships (Kouvelis et al., 2006; Pagell et al., 2005; Stringfellow et al., 2008; Trent and Monczka, 2003) and to the resulting level of buyer–supplier relationship-driven performance. An improved understanding of how different cultures weigh the importance of trust and performance to a buyer's long-term orientation may help both buyers and suppliers to develop and maintain successful buyer–supplier relationships (Ang and Inkpen, 2008). As Kouvelis et al. (2006) point out, inter-firm relationships that extend across functional, national and corporate boundaries may be the “truly hard part” of SCM.

While some advocate the need for cross-cultural supply chain research (Pagell et al., 2005; Zhao et al., 2006), few studies examine buyer–supplier relationships in the context of different cultures (Dong-Jin et al., 2001; Scheer et al., 2003). However, some research aimed at improving our understanding of cultural differences in the context of supply chain management has been undertaken. For example, Zhao et al. (2006) find that collectivism and high power distance in Chinese culture influences power and commitment in buyer–seller relationships. Samaddar and Kadiyala (2006) report that Korean culture influences technology outsourcing practices as compared to the West and Scheer et al. (2003) attribute differences in perceived inequity to cultural differences between U.S. and Dutch firms. Each of these studies informs whether and how theory and management practice may (or may not) need to be adapted to account for national culture differences.

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Much of the extant cross-cultural supply chain management research focuses on Asian samples and compares findings with previous research based on U.S. samples (Gu et al., 2008; Zhao et al., 2006). This suggests two limitations. First, few studies simultaneously collect data from more than one culture to empirically test for differences. Second, many important regions of the world remain relatively under-studied. Notably, little research looks at the United States, Canada or Mexico (the original members of NAFTA). The substantial size of the U.S. market combined with the level of trade between the U.S. and its nearest neighbors (U.S. Census Bureau, 2009) suggests that many supply chains operate within and/or across the North American continent.

We address these opportunities by examining buyer–supplier relationships within and across these three North American countries. Within this multi-cultural context, we examine the role of buyer trust (Ganesan, 1993; Griffith et al., 2006; Morgan and Hunt, 1994; Zhao et al., 2007) and supplier performance on the buyer's long-term orientation (Ganesan, 1994; Griffith et al., 2006). Specifically, we pose the question: *Do buyer trust and supplier performance have differing effects on the buyer's long-term orientation in collectivist as compared to individualist cultures?*

We believe that this is an important question. Within the operations management-oriented supply chain management literature, a key issue is how buyers can best govern supplier relationships (Liu et al., 2009) to better support the buyer's purchase strategy (e.g. Krause, 1999). This research addresses such important issues as how the relative power of a buyer over a supplier serves as a boundary condition that limits the governance options available to the buyer (Benton and Maloni, 2005). While this “how to govern the supplier” perspective is appropriate and warranted, it frequently does not consider the notion that suppliers participate in many supply chains both within and between the product/service markets associated with a buyer's specific purchase strategy and a well-designed purchasing strategy must direct the buyer to attempt to secure the best possible supplier, subject to the constraints and objectives of the buyer's purchasing strategy. To this end, understanding how the antecedents of a buyer's long-term orientation towards a supplier may vary in importance across cultures should help buying firms to craft better purchase strategies and improve capabilities necessary to acquire these important sources of supply. We also believe that this is an important question from the supplier's perspective. That is, if a supplier has an improved understanding of how a buyer's view of the antecedents to long-term orientation differs across cultures, they may be better able to align with the buyer.

To address this question, we begin by reviewing the extant literature across a number of disciplines – supply chain management, purchasing, marketing, international business and national culture studies. We develop a model that explains how a buyer's culture moderates the effects of a buyer's trust of a supplier and the supplier's performance on the buyer's long-term orientation. The proposed hypotheses predict both within-culture and across culture differences. Next, we describe the research method, paying particular attention to issues of validity related to cross-cultural research. The research design compares two individualist cultures (the United States and Anglophone Canada) and two collectivist cultures (Mexico and Francophone Canada). Including two cultures within a single country controls for country specific differences unrelated to culture and two examples of each culture allows for two empirical tests of each hypothesis. To assure comparability of data, survey instruments and research methods are carefully designed and implemented in the four cultures. Then we present our results and discuss their implications for theory and practice. We conclude by outlining study limitations and directions for future research.

2. Literature review and research model

2.1. Long-term buyer–supplier relationships

The literature on long-term buyer–supplier relationships includes several constructs that reflect key aspects of long-term buyer–supplier relationships including relationship continuity, commitment and long-term orientation (Anderson and Weitz, 1992; Dwyer et al., 1987; Goffin et al., 2006; Krause et al., 2007; Liu et al., 2009; Palmatier et al., 2006). While these constructs differ in important ways, each emphasizes a closer relationship between buying firms and supplier firms.

Relationships based on a long-term orientation allow firms to sacrifice short-term gains in favor of benefits accruing to both parties over the long run (Ganesan, 1993; Narayanan and Raman, 2004). Buyers and suppliers “get through” initial periods where the value of a relationship is questionable based on short-term benefits. They approach the relationship with a problem solving orientation and collaborative bargaining style that results in higher levels of performance and economic return over the long-term (Ganesan, 1993; Kalwani and Narayandas, 1995). Given its role in relationship quality, we focus on long-term orientation, using Ganesan's (Ganesan, 1994, p. 2) definition “the (buyer's) perception of the interdependence of outcomes [for the buyer and supplier].”

2.1.1. Antecedents of long-term orientation

As the benefits of long-term buyer–supplier relationships have been documented (Cannon and Homburg, 2001; Cousins et al., 2006; Kalwani and Narayandas, 1995; Krause, 1999; Monczka et al., 1998; Narayandas and Rangan, 2004), business practitioners and academic researchers have focused attention on the mechanisms that build such enduring relationships. The literature suggests that three factors have a consistently strong effect on a buyer's long-term orientation: (1) a supplier's performance; (2) the buyer's trust of the supplier; and (3) the buyer's dependence on the supplier. As we will show, culture is expected to moderate the effects of performance and trust. The relationship between these factors and long-term orientation is the focus of this study. See Fig. 1.

2.1.2. Supplier firm performance

From the buyer's perspective, the performance of a supplier affects the buyer's interest in continuing the supply relationship (Doney and Cannon, 1997; Hayes et al., 1996; Krause et al., 2007). The supply management literature suggests that three aspects of supplier performance are important to the buying firm's evaluation of a supplier's overall performance: (1) relative price/cost, (2) product/service performance, and (3) delivery performance (Doney and Cannon, 1997; Monczka et al., 1998; Prahinski and Benton, 2004). Since the amount of money that a firm spends on goods and services is a major determinant of profitability, buyers evaluate price/cost

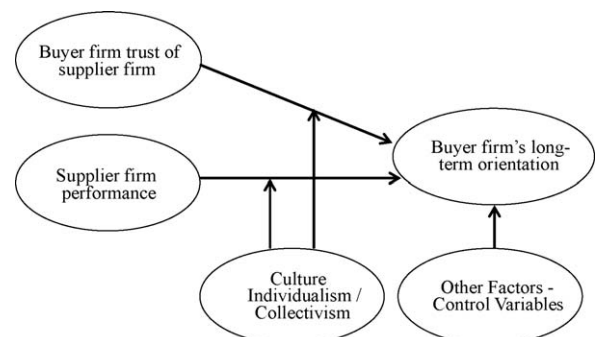


Fig. 1. Conceptual model of factors influencing a buyer firm's long-term orientation.

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