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Testing the Negative Effects of Time Pressure in Retail Supply Chain Relationships

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Abstract

In today's rapidly evolving business environment, retailers must develop highly responsive supply chains in order to satisfy constantly changing market demands. One approach to achieving this objective is to leverage the capabilities of other supply chain members to achieve cycle time compression of key business activities. However, when viewed through the theoretical lenses of Social Exchange Theory and Reciprocity, a potential conflict exists between facilitating supply chain responsiveness and maintaining close retailer–supplier relationships. The purpose of this research is to quantitatively test how the imposition of time pressure affects key elements of retail supply chain relationships. Scenario based experimental methodology was utilized to test the effects of time pressure on two distinct types of retailer–supplier relationships. Results of this research offer evidence to support the notion that time pressure can reduce collaborative behaviors, relationship loyalty, and relationship value in critical retailer–supplier relationships.

Keywords: Time pressure; Supply chain management; Retailer–supplier relationships; Supplier management; Experimentation

Introduction

The success of a retail supply chain is dependent on the efficient and effective flow of goods that insures the right products are in the right place at the right time (Brown et al. 2005). In order to meet these objectives and remain competitive in the marketplace, retailers have been forced to leverage the capabilities of their suppliers (Ganesan et al. 2009). In particular, retailers have pioneered supply chain initiatives such as collaborative planning forecasting and replenishment (CPFR), vendor managed inventory (VMI), just-in-time deliveries, shortened delivery cycle times, and point-of-sale data sharing (POS) that have illustrated the potential power of collaborative interfirm supply chain relationships (Brown et al. 2005; Myers, Daugherty, & Autry 2000). Many retailers now frequently rely on the capabilities of their suppliers in order to create responsive supply chains that effectively meet the ever changing needs of customers (Droge, Jayaram, & Vickery 2004).

The pursuit of a more responsive retail supply chain frequently results in management of exchange flows under time pressure (Thomas 2008). Retailers often have very valid reasons to impose tight and demanding deadlines on their suppliers. Favorable consumer reactions to new merchandising assortments may accelerate store reset schedules. Early spring weather can cause seasonal rollout plans to be pushed forward. Demands to meet quarterly sales goals may necessitate last minute advertising promotions and increased order quantities. In any of these situations, the cycle time reduction demands of a retailer may place a great deal of pressure on other supply chain members. By reacting to common changes in marketplace conditions and attempting to facilitate an appropriate supply chain response, retailers often impose time pressure on their suppliers. Unfortunately, little is known about the potential effects of time pressure in retail supply chain relationships. Given the importance of responsive retail supply chains and the potential time pressure associated with obtaining such a capability,

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research is required that investigates time pressure in this context.

Interestingly, a potential paradoxical conflict exists between maintaining the collaborative supplier relationships that are used to make retail supply chains responsive and the imposition of time pressure when retailers actually need responsive supply chains. Prior research suggests that time pressure is often considered a negative type of situational constraint with adverse effects (Caballer, Gracia, and Peiró 2005; Durham et al. 2000; Maule, Hockey, and Bdzola 2000; Ordonez and Benson 1997). Time pressure has a potentially damaging impact on relational exchange primarily because of the response and affect it may invoke. Social Exchange Theory (SET) proposes that corporate groups attempt to obtain desirable results in social interactions by maximizing rewards and minimizing costs (McDonald 1981; Thibaut and Kelley 1959) and the Norm of Reciprocity suggests that actors in exchange relationships will reciprocate the actions of others and respond to each other in similar fashions (Gouldner 1960). When examined through the lens of SET, suppliers may view the imposition of time pressure as a relational cost that could potentially outweigh the benefits of the exchange. Such a perspective may result in a supplier response that could precipitate relationship deterioration or dissolution. This type of supplier response is also likely when viewed from the perspective of the Norm of Reciprocity. If time pressure is viewed as a negative cost, it would violate the mutually gratifying expectations of the exchange and potentially result in retaliatory sentiments manifested through reductions in collaborative behaviors, relationship valuation, and relationship loyalty.

In a broad sense, the purpose of this research is to test the boundaries of SET and the Norm of Reciprocity in the context of retail supply chain relationships where time pressure is imposed. This research will examine if time pressure is viewed as a relational cost that elicits negative reciprocal responses. More specifically, we will quantitatively test how the imposition of time pressure affects key elements of retail supply chain relationships. Although prior research has begun to explore this phenomenon via qualitative means (Thomas 2008), an experimental quantitative study will allow for further emergence of the issues associated with time pressure in managing responsive retail supply chains. By gaining a greater understanding of this phenomenon, retailers can more effectively manage the cost and benefit trade-offs associated with leveraging their supply base to quickly react to changing market conditions while still maintaining close supplier relationships.

Literature review

Supply chain relationships

Many retailers have come to realize that their individual ability to compete often relies on the collective performance of their overall supply chain (Brown et al. 2005). Although retailers have long recognized the value of coordinating some supplier activities, true collaboration and seamless integration of key business functions have only recently begun to emerge through supply chain management (Brown et al. 2005; Ganesan et al. 2009). In many instances, traditional, adversarial relationships have been replaced by closer, more collaborative relationships (Lusch, O'Brien, & Sindhav 2003). The relational paradigm has shifted the focus from individually taking a larger share of a limited "benefits pie" to collaboratively growing the overall size of the "benefits pie" for all supply chain members (Anderson 2002; Ganesan et al. 2009; Jap 2001). Such a philosophical shift is at the heart of the supply chain concept and theoretically consistent with the profit seeking motives of SET and mutually gratifying expectations of Reciprocity (Emerson 1976).

At the most fundamental level, a supply chain consists of a series of close interfirm relationships (Cooper, Lambert, & Pagh 1997). The "degree of closeness" between firms has been conceptualized in the supply chain literature as *relationship magnitude* and is measured by the amount of trust, commitment, and dependence that exists between firms in a relationship (Golicic, Foggin, and Mentzer 2003; Golicic and Mentzer 2006). Interfirm relationships are typically categorized along a continuum ranging from arm's length transactions to virtual integration (Webster 1992). Closer, more supply chain oriented relationships approach the virtual integration end of the continuum and are characterized by having high levels of mutual trust, mutual commitment and interdependence. On the other hand, the more distant traditional relationships approach the transactional end of the continuum and are characterized by lower levels of relationship magnitude. Given the wide variety of potential relationships, it is not surprising that agreement is somewhat lacking regarding the labeling and description of relationship types throughout most of the relationship continuum. However, there is consensus concerning the endpoints of the relationship continuum and how relatively close or distant firms are in these relationships.

From a practical managerial standpoint, it makes sense that collaborative supply chain initiatives require close interfirm relationships. For example, a successful vendor managed inventory (VMI) program requires that a retailer and supplier trust each other. A retailer would need to trust the supplier's inventory management capabilities and the supplier would need to trust the retailer to provide accurate sales, inventory, and promotional information. Likewise, a VMI program requires a retailer and a supplier to commit to each other. A retailer would need to commit valuable shelf space to the supplier and the supplier would need to commit substantial human, technical, and infrastructure resources to manage inventory. VMI also requires a retailer and supplier to depend on each other. In order to meet their sales and customer service goals, a retailer would depend on a VMI supplier to successfully replenish store shelves and the VMI supplier would depend on point-of-sale information to replenish retail shelves in a cost effective manner. In addition, reliance on successful sales of the vendor's products off the retailer's shelves gives rise to financial dependence between the partners. As these examples demonstrate, firms must be close and have a high level of relationship magnitude in order to have successful collaborative supply chain initiatives.